

THE VILLAGE INTERNATIONAL SCHOOL
CHAPTER 5-BUSINESS ARITHMETIC CBSE
BOARD QUESTIONS FROM PREVIOUS YEARS

YEAR 2019

1	Give the two forms of budgeting process.	1																		
Ans																				
2	Name any two key aspects of financial decision-making.	1																		
Ans																				
3	Why is it important for an entrepreneur to do break-even analysis?	2																		
Ans																				
4	Aditya Bearings Ltd. are the manufacturers and suppliers of ball bearings to fan manufacturing companies. The company requires 900 kg of wrought iron for its production process. The cost of placing each order is 50 and carrying cost is 100. Calculate Economic Order Quantity.	3																		
Ans																				
5	Parvesh has started a restaurant in a small town by the name of 'Spices of India' by spending 50,00,000. He invested 10,00,000 of his own and took a loan of 40,00,000 from State Bank of India @ 6% per annum. His monthly sales revenue is 20,00,000 and monthly cost of goods sold is 10,00,000. He pays a monthly salary of 2,00,000 to his employees. The GST rate is 18%. Calculate (a) Return on Investment, and (b) Return on Equity.	6																		
Ans																				
6	A hotel had varying number of guests during five weeks. The information regarding the number of guests and the average weekly billing is presented in the following table: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Week</th> <th>No. of Guests</th> <th>Average Billed Amount ₹</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">240</td> <td style="text-align: center;">300</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">120</td> <td style="text-align: center;">410</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">140</td> <td style="text-align: center;">292</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">160</td> <td style="text-align: center;">442</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">180</td> <td style="text-align: center;">480</td> </tr> </tbody> </table> (a) What is the 'Unit of Sale' and 'Unit Price' in this case? (b) If the cost of goods sold or variable cost is 60% of the sales price, calculate the 'unit cost' and the 'gross profit'	Week	No. of Guests	Average Billed Amount ₹	1	240	300	2	120	410	3	140	292	4	160	442	5	180	480	6
Week	No. of Guests	Average Billed Amount ₹																		
1	240	300																		
2	120	410																		
3	140	292																		
4	160	442																		
5	180	480																		
Ans																				

YEAR 2020

7	Gupta is the owner of KYC stores dealing in grocery items. He has an equity stake of 4,00,000 in the business. He has borrowed 6,00,000 from State Bank of India. His net profit for the year is 1,40,000. The Return on Equity for Gupta will be 23.33%. TRUE/FALSE	1
Ans		
8	Gross working capital means: (a) sum total of all assets. (b) sum total of all fixed assets.	1

	(c) sum total of all current assets. (d) current assets minus current liabilities.	
Ans		

9	Give the meaning of 'Cash Conversion Cycle'. How is Cash Conversion Cycle of a trading concern different from a manufacturing concern?	2
Ans		

10	Calculate the Economic Order Quantity from the following information: (a) Annual consumption - 120 units. (b) Cost of placing and receiving an order -20 (c) Price per unit - 100 (d) Storage cost as percentage of average inventory - 12%	3
Ans		

11	<p>'Flavouright Foods Ltd.' started a business of making nachos (corn chips) in three variants, Classic Cheese, Toasted Corn and Tangy Tomato. To start with, all the three variants will be sold in a standard packing of 100 gms each, the selling price would differ</p> <table border="1" data-bbox="363 1332 1125 1534"> <thead> <tr> <th>Particulars</th> <th>Classic Cheese</th> <th>Toasted Corn</th> <th>Tangy Tomato</th> </tr> </thead> <tbody> <tr> <td>Sales Price ₹</td> <td>80</td> <td>45</td> <td>60</td> </tr> <tr> <td>Variable Cost ₹</td> <td>40</td> <td>15</td> <td>20</td> </tr> <tr> <td>Packets sold</td> <td>100</td> <td>40</td> <td>60</td> </tr> </tbody> </table> <p>From the above information calculate: due to the (a) Weighted contribution margin per unit. ingredients used. Fixed costs are 38,000 Sales price and variable costs per unit are as follows: (b) Breakeven point - total and per product.</p>	Particulars	Classic Cheese	Toasted Corn	Tangy Tomato	Sales Price ₹	80	45	60	Variable Cost ₹	40	15	20	Packets sold	100	40	60	4
Particulars	Classic Cheese	Toasted Corn	Tangy Tomato															
Sales Price ₹	80	45	60															
Variable Cost ₹	40	15	20															
Packets sold	100	40	60															
Ans																		

2022

12	Kwality Stores is famous for its woollen garments sourced from Ludhiana. Its most popular selling item is its sweat-shirt which is sold at 1,000 per piece. The cost of placing an order and receiving goods is 500 per order. Its holding cost is 300 p.a. Economic order	2
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quantity for Kwality Stores is 200 sweat-shirts. Calculate the annual demand of the sweat-shirts.

Ans

13 (a) Give the meaning of Cash Conversion Cycle (CCC).
 (b) State the relationship between the Cash Conversion Cycle (CCC) and the quantum of working capital required by a business.

	(₹)
i. Stock	1,00,000
ii. Debtors	2,50,000
iii. Creditors	82,600
iv. Cash	38,000
v. Short-term Investments	2,00,000
vi. Short-term Loan	1,42,000
vii. Long-term Investments	3,00,000
viii. Outstanding expenses	50,000

(c) Calculate the Gross working capital for Ojas Ltd. from the details given below:

3

Ans

14 Calculate the Return on Equity (ROE) for Neerja International, for the year 2020 2021 from the details given below:

Details	Amount (₹)
i. Investments	10,00,000
ii. 12% Loan from State Bank of India	2,00,000
iii. 8% Debentures	2,00,000
iv. Fixed expenses per month	
– Salary	1,50,000
– Rent	50,000
– Electricity & Utilities	10,000
v. Depreciation	35,000
vi. Tax Rate	30%

Monthly Sales revenue was 10,00,000 and Cost of goods sold was 4,00,000.

3

Ans

YEAR 2023

15	<p>Ramandeep is a technical entrepreneur who started developing interactive websites of businesses. Due to lot of competition in this field he is experiencing a decline in the demand. He wishes to understand his revenue position as compared to his investment. Which one of the following combinations would help him in assessing the profitability of his business? (i) Economic Order Quantity (ii) Return on Investment (iii) Return on Equity (iv) Break-even analysis</p> <p>(a) (i) and (iii) (b) (iii) and (iv) (c) (ii) and (iii) (d) (i) and (iv)</p>	1
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Ans		
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16	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><i>Assets</i></th> <th style="text-align: right;">(₹)</th> <th style="text-align: left;"><i>Liabilities</i></th> <th style="text-align: right;">(₹)</th> </tr> </thead> <tbody> <tr> <td>Stock</td> <td style="text-align: right;">60,000</td> <td>Trade payables</td> <td style="text-align: right;">20,000</td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">55,000</td> <td>Short-term loans</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td>Cash</td> <td style="text-align: right;">65,000</td> <td>Outstanding expenses</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Short-term investments</td> <td style="text-align: right;">20,000</td> <td></td> <td></td> </tr> </tbody> </table> <p>(a) 35,000 (b) 1,65,000 (c) 2,00,000 (d) 2,35,000</p> <p style="text-align: right;">From the information given</p> <p>below, calculate the circulating capital of a company:</p>	<i>Assets</i>	(₹)	<i>Liabilities</i>	(₹)	Stock	60,000	Trade payables	20,000	Debtors	55,000	Short-term loans	10,000	Cash	65,000	Outstanding expenses	5,000	Short-term investments	20,000			1
<i>Assets</i>	(₹)	<i>Liabilities</i>	(₹)																			
Stock	60,000	Trade payables	20,000																			
Debtors	55,000	Short-term loans	10,000																			
Cash	65,000	Outstanding expenses	5,000																			
Short-term investments	20,000																					

Ans		
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17	<p>Sahiba has a boutique in Nagpur, which she started in 2020. She had invested 2,00,000 from her savings and borrowed 3,00,000 from the bank @ 10% per annum. She made a net profit of 50,000 in the year 2021 2022. In the above case the Return on equity is: -</p> <p>(a) 10% (b) 20% (c) 25% (d) 40%</p>	1
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Ans		
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18	<p>Break-Even Point is the level where:</p> <p>(a) the revenue generated is equal to all the expenses required for generating the revenue. (b) the revenue generated is less than all the expenses required for generating the revenue. (c) the revenue generated is more than all the expenses required for generating the revenue. (d) Both (a) and (b)</p>	1
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Ans		
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19 Give the meaning of cash conversion cycle. How does the nature of business influence its cash conversion cycle? Explain with the help of a diagram. 3

Ans

20 Baked Delight Ltd. is a well-known name in breads and bakery products. It has diversified into flavoured fox nuts and popcorn. The two were introduced as smart snacking options for health and diet conscious people. To start with, both will be sold in a standard packing of 50 gm each. Fixed cost for these will be 1,00,000. Sale price and variable cost per unit is as follows: 5

Particulars	Classic salted Fox nuts	Caramel salted Popcorn
Sale price per unit (₹)	120	80
Variable cost per unit (₹)	70	30
Sales mix percentage (%)	40	60

From the given information calculate Break-Even Point in units and rupees.

Ans

COMPARTMENT 2019

21 A speciality store sells 1000 insulated water bottles annually. Demand for the product is uniform. Purchase cost is 50 per bottle. Holding cost per annum is 10% of purchase cost. Ordering cost is 100 per order. Calculate the Economic Ordering Quantity of the bottles for the speciality store. 3

Ans

22 Explain the process for developing a cash flow projection. 3

Ans

23 Mohan started his business of manufacturing leather belts and wallets in Kanpur in the name of 'Essentials' by spending 15,00,000. He invested 8,00,000 of his own money and took a loan of 7,00,000 from Dena Bank @ 7% per annum. His monthly sales revenue is 6,00,000 and monthly cost of goods sold is 2,50,000. He pays a monthly salary of 50,000 to his employees. Monthly maintenance of machinery is 15,000. Electricity and miscellaneous charges per month are 10,000. The tax rate on profit is 12%. Calculate the following: 6
(a) Return on Investment
(b) Return on Equity

Ans

24 'Breezolit Pvt. Ltd.' started a business of making three varieties of designer fans - Vitara, Grand, Quadraflow. From the following information, calculate Breakeven point in units for the company and state which variety is most revenue generating. Fixed costs are 15,20,000. 6

Details	Vitara	Grand	Quadraflow
Sale Price (₹)	800	450	600
Variable Cost (₹)	400	150	200
Sales Mix	50%	20%	30%

Ans

COMPARTMENT 2020

25 _____ shows expected inflows and outflows of cash.

1

Ans

26 In Fast Moving Consumer Goods Industry, the relationship between unit price and unit cost could be 80% to 85% (Cost as a percentage of selling price).
TRUE/FALSE

Ans

27 For the calculation of break-even point for sales mix, certain assumptions are to be made. Which of the following assumptions is not correct ?
(A) Sales price per unit, variable cost per unit and total fixed cost are constant.
(B) All units produced are sold.
(C) The sales mix changes within the relevant time period.
(D) All costs can be categorised as variable cost or fixed cost.

1

Ans

28 Jain invested 5,00,000 as his capital to start a small-scale enterprise. He took a loan of 2,00,000 from the bank. During the year he earned a net profit of 70,000.
Calculate Jain's 'Return on Investment'.

2

Ans

29 Mahindra Stores sells 4000 units of power banks annually. Demand for the product is uniform. Purchase cost per power bank is 400. Holding cost per annum is 10% of the purchase cost. Ordering cost is 200 per order.
Calculate the Economic Ordering Quantity for Mahindra Stores for the power banks.

3

Ans

30	<p>From the following information related to sales mix of products X, Y and Z, calculate breakeven point in units: Total fixed cost is ₹ 2,46,500.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Particulars</th> <th>X</th> <th>Y</th> <th>Z</th> </tr> </thead> <tbody> <tr> <td>Sale Price Per Unit ₹</td> <td>30</td> <td>42</td> <td>72</td> </tr> <tr> <td>Variable Cost Per Unit ₹</td> <td>18</td> <td>14</td> <td>19</td> </tr> <tr> <td>Sales Mix Percentage</td> <td>60%</td> <td>15%</td> <td>25%</td> </tr> </tbody> </table>	Particulars	X	Y	Z	Sale Price Per Unit ₹	30	42	72	Variable Cost Per Unit ₹	18	14	19	Sales Mix Percentage	60%	15%	25%	4
Particulars	X	Y	Z															
Sale Price Per Unit ₹	30	42	72															
Variable Cost Per Unit ₹	18	14	19															
Sales Mix Percentage	60%	15%	25%															
Ans																		

COMPARTMENT 2022

31	<p>'Gizmo Gadgets' sold a variety of 'Android Tablets' and 'Pen Tablets' during the COVID-19 pandemic as the schools and offices operated online. Monthly demand for 'Android Tablets' for the year 2021 – 2022 is 150 units. Purchase cost of each tablet is ₹ 3,600. Holding cost per annum is 10% of the purchase cost. Ordering cost is ₹ 1,000 per order. Calculate the Economic Order Quantity for 'Gizmo Gadgets'.</p>	2
Ans		
32	<p>ABC International has two subsidiaries operating in different product lines. The management desires to know which of the two subsidiaries is doing better in comparison to the total funds that have been invested in the business. The following information was provided about both the subsidiaries:</p> <p>Subsidiary 1 : TCL Ltd. Net Profit after tax for the year 2020 – 21 was ₹ 1,00,000. Its investment in business in the form of shareholders' equity was worth ₹ 5,00,000.</p> <p>Subsidiary 2 : JPC Ltd. Net Profit after interest and tax was for the year 2020 – 21. Its investment in business was shareholders' equity worth ₹ 10,00,000 and 8% debentures of ₹ 2.00</p> <p>By calculating 'ROI' identify the subsidiary that is doing better.</p>	3
Ans		
33	<p>(a) Why is the operating cycle for a trading concern shorter than that of a manufacturing concern? State. Also state how the length of operating cycle impacts the working capital requirement of any business.</p>	3

Stock	1,00,000
Debtors	1,50,000
Short-term Investments	60,000
Trade Creditors	50,000
Outstanding expenses	10,000

(b) Calculate the net working capital for XYZ Ltd.

from the given information:

Ans

COMPARTMENT 2023

- 34 Which amongst the following options will help an entrepreneur to determine the Return of equity (ROE)?
- (i) Total Capital Invested
(ii) Net Income (iii) Gross Profit
(iv) Equity (owned funds)
- (a) (i), (ii) and (iii)
(b) (iii) and (iv)
(c) (ii) and (iv)
(d) (i) and (iii)

1

Ans

- 35 **Assertion (A):** Break-even point is that level of production where there is neither loss nor profit.

1

Reason (R): Break-even point helps in determining the products that are not contributing to meet fixed expenses.

Choose the best option from the following:

- (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A).
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation for Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Reason (R) is true, but Assertion (A) is false.

Ans

- 36 A company uses 300 units of raw material per day. The order lead time is 5 days. The minimum level of inventory when a new order is to be placed will be:
- (a) 1500 units
(b) 1000 units
(c) 500 units
(d) 150 units

1

Ans		
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37 Why is it important for an entrepreneur to do a break-even analysis? State any two points. 2

Ans		
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38 What is meant by working capital? How does the cash conversion cycle impact the need for working capital for any business? State 2

Ans		
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39 A factory is engaged in manufacturing cotton yarn of three qualities, i.e., A grade, B grade and C grade. From the details given below, compute the break; even level for each grade 3

	A grade (₹)	B grade (₹)	C grade (₹)
Selling price per 100 balls	10,000	5,000	7,000
Variable cost per 100 balls	3,000	2,500	3,000
Fixed cost per month	35,000	25,000	10,000

of cotton yarn.

Ans		
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40 Calculate the Return on Investment for Singh, the owner of Hawara Sugar Mills for the year ending 2022 2023 from the data given below: 5

1.	Total sales revenue	₹ 14,00,000
2.	Total cost of goods sold	₹ 6,00,000
3.	Monthly salary and other utilities	₹ 24,000
4.	Depreciation	₹ 15,000

Singh invested 20 lakhs out of which 8 lakh was owned funds of Singh and rest was borrowed from IDBI Bank @ 10% p.a. Tax rate applicable for the year was 20%.

Ans		
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SAMPLE QP-2014-15

41 A stationery shop sells - 30,000 pens per year. Purchase cost is Rs. 2 per pen; Holding cost is - 20% of the purchase cost; Ordering cost is Rs.15. Calculate the EOQ from the following details for the stationery shop. 3

Ans		
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42	<p>A grocery store sold in a day different quantity for different products at the prices indicated against them:</p> <table border="1"> <thead> <tr> <th>Products</th> <th>Price per unit (Rs.)</th> <th>Quantity sold</th> </tr> </thead> <tbody> <tr> <td>Dal</td> <td>40/ kg</td> <td>35 (Kgs.)</td> </tr> <tr> <td>Chilli Powder</td> <td>40/kg</td> <td>10 (Kgs)</td> </tr> <tr> <td>Salt</td> <td>5/packet</td> <td>5(packet)</td> </tr> <tr> <td>Chips</td> <td>15/ packet</td> <td>10(packet)</td> </tr> <tr> <td>Juice pack</td> <td>5/packet</td> <td>5(packet)</td> </tr> </tbody> </table> <p>The shopkeeper also found out, based on the number of bills issued by him, that there were 50 customers. If customer is the unit of sale, what is the 'Unit Price' in the above case? If the cost of each grocery item is 75% of its selling price, calculate the 'Unit Cost' and the 'Gross Margin' per unit of sale.</p>	Products	Price per unit (Rs.)	Quantity sold	Dal	40/ kg	35 (Kgs.)	Chilli Powder	40/kg	10 (Kgs)	Salt	5/packet	5(packet)	Chips	15/ packet	10(packet)	Juice pack	5/packet	5(packet)	4
Products	Price per unit (Rs.)	Quantity sold																		
Dal	40/ kg	35 (Kgs.)																		
Chilli Powder	40/kg	10 (Kgs)																		
Salt	5/packet	5(packet)																		
Chips	15/ packet	10(packet)																		
Juice pack	5/packet	5(packet)																		

Ans

43	<p>The United company manufactures three products - Lipsticks; Eyeliners; Nail paints.</p> <table border="1"> <thead> <tr> <th></th> <th>Lipsticks</th> <th>Eyeliners</th> <th>Nailpaints</th> </tr> </thead> <tbody> <tr> <td>Sales price per unit</td> <td>200</td> <td>100</td> <td>50</td> </tr> <tr> <td>Variable cost per unit</td> <td>100</td> <td>75</td> <td>25</td> </tr> </tbody> </table> <p>The variable expenses and sales prices of all these products are given below:</p> <p>The total fixed expenses of the company are `50,000 per month. For the coming month, it expects the sale of three products in the following ratio: ProductX:20%; ProductY:50%; Product Z: 70%</p> <p>Compute the break-even point of company in units and rupees for the coming month.</p>		Lipsticks	Eyeliners	Nailpaints	Sales price per unit	200	100	50	Variable cost per unit	100	75	25	6
	Lipsticks	Eyeliners	Nailpaints											
Sales price per unit	200	100	50											
Variable cost per unit	100	75	25											

Ans

SAMPLE QP-2015-16

44	<p>Aditi started a beauty Parlor business. She spend Rs.30,00,000/- to open the Parlor of which she invested 14,00,000/- of her own money and borrowed a loan for 16,00,000/-. Interest rate per annum is 14%. Sales revenue per month is 1,60,000/-. Cost of goods sold is 60,000/- per month. Fixed expenses for that month is 60,000/- (salary 40,000/-, rent and utility 20,000/-), depreciation 30,000/- and tax @ 15%.</p>	3
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Ans

45	<p>Ms. Rosy is a readymade garments manufacturer. Her Annual Usage rate is 225Pcs. The cost of placing each order is Rs.8/- and the carrying cost is Rs.4 per unit. Calculate the Economic Order Quantity (EOQ). How does calculating EOQ facilitate budgeting?</p>	
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Ans

46	Ram was very thrilled with his new job. He was placed in a small factory manufacturing door knob as a stock keeper. After a few days, while taking stock he understood that nuts and various small parts constituted majority of the cost of production. After some time, the firm went into a loss and the owner decided to look into the various factors that could have constituted the loss. Ram expressed his concern that inventory was not properly maintained and that there are various techniques which are involved and if followed properly the company will not be in a loss. The owner agreed to the suggestion. He also decided to take help from some specialized government institution initiate steps for technological up gradation, and modernization of existing units. a. What technique was suggested by Ram? Explain it.	3
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	b. Which specialized financial institution is the owner thinking of approaching and state any one of its objectives?	
Ans		

47	<p>The School Gear Ltd. manufactures three products - Tiffin covers; Bottle covers; Pencil pouch. The variable expenses and sales prices of all these products are given below:</p> <table border="1" data-bbox="215 835 783 1048"> <thead> <tr> <th></th> <th>Tiffin covers</th> <th>Bottle covers</th> <th>Pencil pouch</th> </tr> </thead> <tbody> <tr> <td>Sales price per unit</td> <td>Rs.200</td> <td>Rs.100</td> <td>Rs.75</td> </tr> <tr> <td>Variable cost per unit</td> <td>Rs.100</td> <td>Rs.60</td> <td>Rs.25</td> </tr> </tbody> </table> <p>The total fixed expenses of the company are Rs.55, 000 per month. For the coming month, it expects the sale of three products in the following proportions: Tiffin covers: 20% Bottle covers: 50% Pencil pouch: 30% Compute the break-even point of company in units and rupees for the coming month.</p>		Tiffin covers	Bottle covers	Pencil pouch	Sales price per unit	Rs.200	Rs.100	Rs.75	Variable cost per unit	Rs.100	Rs.60	Rs.25	
	Tiffin covers	Bottle covers	Pencil pouch											
Sales price per unit	Rs.200	Rs.100	Rs.75											
Variable cost per unit	Rs.100	Rs.60	Rs.25											
Ans														

SAMPLE QP-2016-17

48	Name the two things that are taken care in a reorder point?	1
Ans		

49	You have started a beauty parlor business. You spent 5,00,000 to open the parlor of which you invested 3,00,000/- of your own money and borrowed a loan for 2,00,000. Interest rate per annum is 4%. Sales revenue per month is 35,000. Cost of goods sold is 10,000 per month. Fixed expenses per month is 15,000 (salary 7,000, rent and utility 8,000), depreciation 1,000/- and tax @ 8%. Calculate the Return on Equity.	3
Ans		

50	<p>What is meant by break-even point? State any two assumptions of calculating break-even point for sales mix. Calculate the break-even point in units and in rupees for the following:</p> <table border="1" style="margin-left: 20px;"> <tr> <td>Product</td> <td>A</td> <td>B</td> <td>C</td> </tr> <tr> <td>Sales price / unit</td> <td>`30</td> <td>`45</td> <td>`60</td> </tr> <tr> <td>Variable cost / unit</td> <td>`15</td> <td>`30</td> <td>`20</td> </tr> <tr> <td>Sales mix percentage</td> <td>30%</td> <td>30%</td> <td>40%</td> </tr> </table> <p>Total Fixed cost ---- 50,000</p>	Product	A	B	C	Sales price / unit	`30	`45	`60	Variable cost / unit	`15	`30	`20	Sales mix percentage	30%	30%	40%	6
Product	A	B	C															
Sales price / unit	`30	`45	`60															
Variable cost / unit	`15	`30	`20															
Sales mix percentage	30%	30%	40%															

Ans		
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SAMPLE QP-2017-18

51	Differentiate between capital budget and cash budget.	1
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Ans		
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52	<p>Following are the balances of current assets and current liabilities of X Ltd., Cash – Rs.20,000; outstanding expenses- Rs.5000; Creditors- Rs.15,000; Debtors-Rs.50,000; Short term loans- Rs.4000; Short term investments-Rs.30,000; Long term loansRs.1,00,000; Stock-Rs.70,000.</p> <p>Calculate the gross and net working capital of X Ltd.,</p>	3
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Ans		
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53	Why is Break-even analysis regarded as a useful element of financial plan?	4
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Ans		
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54	<p>Best Electronics Ltd., are the manufacturers of 'Air Conditioners' and 'Air Purifiers'. Their fixed costs are Rs.32,00,000 per year. The sales price and variable cost per unit of 'Air conditioners' and 'Air purifiers' are given below:</p> <table border="1" style="margin-left: 20px;"> <tr> <td></td> <td>Air Conditioners</td> <td>Air Purifiers</td> </tr> <tr> <td>Sales Price</td> <td>20,000</td> <td>5,000</td> </tr> <tr> <td>Variable cost</td> <td>15,000</td> <td>3,000</td> </tr> </table> <p>During the year the company could sell 1000 Air conditioners and 1500 Air purifiers and could not break even. The Air conditioners and Air purifiers were sold in the proportion of 2:3 throughout the year.</p> <p>Calculate break even in units as well as in rupees.</p>		Air Conditioners	Air Purifiers	Sales Price	20,000	5,000	Variable cost	15,000	3,000	6
	Air Conditioners	Air Purifiers									
Sales Price	20,000	5,000									
Variable cost	15,000	3,000									

Ans		
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SAMPLE QP-2018-19

55	Name the two factors on which the accuracy of Cash Flow Projections depends upon.	1
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Ans		
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56	Iqbal runs an electrical shop in Lucknow. The most sold product in his shop is ceiling fans. The annual demand for fans is 32,000. The annual holding cost per unit is Rs.192. The cost incurred in placing an order is Rs.3000. Calculate the Economic Ordering Quantity of Ceiling fans.	3												
Ans														
57	The following figures are extracted from the balance sheet of Swadesha Ltd. Net profit after tax: Rs. 2,00,000 Net profit before tax: Rs. 2,80,000 Total Investment (Owned + Borrowed): Rs. 4,00,000 Own funds: Rs.1,00,000 Calculate Return on Equity for Swadesha Ltd.	3												
Ans														
58	Writing Instruments Ltd. is engaged in manufacturing and distribution of Ballpoint Pen, Sketch Pen and Gel Pen. <table border="1" data-bbox="215 862 774 974"> <thead> <tr> <th>Product</th> <th>Ballpoint Pen</th> <th>Sketch Pen</th> <th>Gel Pen</th> </tr> </thead> <tbody> <tr> <td>Sales price/unit</td> <td>40</td> <td>45</td> <td>75</td> </tr> <tr> <td>Variable cost/unit</td> <td>20</td> <td>30</td> <td>40</td> </tr> </tbody> </table> The total fixed cost is Rs.75,000 per month. For the coming month, it expects the sale of three products in the ratio - 2:1:2. Compute the break-even point of the company in Rupees for the coming month.	Product	Ballpoint Pen	Sketch Pen	Gel Pen	Sales price/unit	40	45	75	Variable cost/unit	20	30	40	6
Product	Ballpoint Pen	Sketch Pen	Gel Pen											
Sales price/unit	40	45	75											
Variable cost/unit	20	30	40											
Ans														
SAMPLE QP-2019-20														
59	After assuming the future demand, every company needs to determine when to place an order for stock and how much to order. This can be calculated by using the _____ formula.	1												
Ans														
60	Gross profit per unit is calculated by using the formula _____	1												
Ans														
61	From the following information obtained from the financial statements of Bites Ltd., calculate Return on Equity. Net Income earned - ₹ 10,00,000 Equity- ₹ 5,00,000	2												
Ans	Return on Equity= Net Income/Equity × 100 = 10,00,000/5,00,000 × 100 = 200 %													
62	Pink & Blue Stores sells 1000 insulated water bottles annually. Demand for the product is uniform. Purchase Cost per bottle is Rs.50. Holding cost per annum is 10% of purchase cost. Ordering cost is Rs. 100 per order. Calculate the Economic Ordering Quantity for bottles?	3												

Ans Economic Ordering Quantity = $\sqrt{2PD/C}$ Thus as : annual demand (D) = 1000 bottles. Order cost (P) = Rs. 100 Annual carrying cost of 1 unit (C/i) = 10% X 50= Rs.5 EOQ = $\sqrt{2 \times 1000 \times 100/5} = 200$ units.

63 CleAir Pvt. Ltd. started a business of making three varieties of portable air purifiers for vehicles - Vincent, Banish, Exclusive. From the following information calculate Breakeven point in units for the company and suggest which variety is most revenue generating. Fixed costs are Rs. 15,20,000.

	Vincent	Banish	Exclusive
Sales Price	800	450	600
Variable Cost	400	150	200
Sales mix	50%	20%	30%

Ans

	Vincent	Banish	Exclusive
Sales Price	800	450	600
Variable Cost	400	150	200
Contribution	400	300	400
Sales mix	50%	20%	30%
Contribution × sales mix	200	60	120

Weighted Contribution = 200+60+120= Rs.380
 BEP = Fixed cost/WACM = 1520000/380= 4000 units

In Units:

Vincent = 50% of 4000 = 2000 unit

Banish = 20% of 4000 = 800 unit

Exclusive = 30% of 4000 = 1200 units.

In Rupees:

Vincent = 2000 units x 800 = Rs.1600000

Banish = 800 units x 450 = Rs. 360000

Exclusive = 1200 units X 600 = Rs. 720000

The company is earning more revenue in the sale of Vincent

SAMPLE QP-2020-21

64 When total current assets exceed total current liabilities, it refers to. 1

- A. Gross Working Capital
- B. Temporary Working Capital
- C. Both A and B
- D. Net Working Capital

Ans D. Net working Capital

65	Gross margin and gross profit are one and the same. Is the given statement 'True' or 'False'?	1												
Ans	True													
66	Harshdeep is the stock keeper of Neha Textiles Ltd. The company is into converting cotton yarn into fabric and then further computerised printing on the same to add value to the fabric. He wants to know the ideal quantity of yarn to be ordered so that the production process does not stop. How can he know the correct time to place an order? A. By calculating Break-even point B. By calculating Re-order point C. By calculating Economic order quantity D. By calculating lead time	1												
Ans	B. By calculating Re-order point													
67	MM Ltd. is a renowned name in manufacturing hand puppets for children. Its two most selling varieties are Alphabets and Domestic animals. The fixed expenses of MM Ltd. in the manufacturing of these two varieties is Rs. 75,000. <table border="1" data-bbox="215 896 837 1093"> <thead> <tr> <th></th> <th>Alphabets</th> <th>Domestic Animals</th> </tr> </thead> <tbody> <tr> <td>Sales Price/unit (in Rs.)</td> <td>210</td> <td>360</td> </tr> <tr> <td>Variable cost/ unit (in Rs.)</td> <td>140</td> <td>190</td> </tr> <tr> <td>Sales mix %</td> <td>40</td> <td>60</td> </tr> </tbody> </table> The weighted contribution for the two products will be A. Rs.70 B. Rs. 170 C. Rs. 130 D. Rs. 102		Alphabets	Domestic Animals	Sales Price/unit (in Rs.)	210	360	Variable cost/ unit (in Rs.)	140	190	Sales mix %	40	60	
	Alphabets	Domestic Animals												
Sales Price/unit (in Rs.)	210	360												
Variable cost/ unit (in Rs.)	140	190												
Sales mix %	40	60												
Ans	C. Rs. 130													
68	In a subsidiary of Sugar mill in U.P, cane juice is converted into organic jaggery. The mill owner wants to know whether to continue with this subsidiary or close it down. On an average, the monthly output of the subsidiary is 2,500 Kg., Sales price / kg- Rs. 100, Variable cost/ kg- Rs.30, Fixed expenses- Rs. 70,000. The breakeven point in units will be? A. 1000 units B. 1500 units C. 10000 units D. 7500 units													
Ans	A.1000 units													
69	A firm has Capital of Rs. 10,00,000; Sales of Rs. 5,00,000; Gross Profit of Rs. 2,00,000 and Expenses of Rs. 1,00,000. Return on investment for the firm will be? A.50% B.20% C.10% D.30%													
Ans	C-10%													

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70	A firm has Capital of Rs. 10,00,000 of which Rs. 6,00,000 is debt fund; Sales of Rs. 5,00,000; Gross Profit of Rs. 2,00,000 and Expenses of Rs. 1,00,000. Return on Equity for the firm will be? A.50% B.25% C.150% D.30%	
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Ans	B-25%	
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71	Break even analysis has a major impact on the business decision making. Comment.	3
	<ol style="list-style-type: none"> It helps in setting profit goal and sales target. In a manufacturing environment, it helps in determining the products that are not contributing to meet the fixed expenses and thus brings up the item for discussion in management meetings about its continuity. Breakeven point is the level of sales (or revenue generated) that equals all the expenses required for generating that revenue. There is neither loss nor profit. It helps the organisation to determine the level when will it turn profitable. 	

Ans		
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72	Number of people who took their meals and the total billing for each of the 5 weeks is in the following table.	4																		
	<table border="1"> <thead> <tr> <th>Week</th> <th>No. of people taking meals</th> <th>Average amount billed (in Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>120</td> <td>150</td> </tr> <tr> <td>2</td> <td>60</td> <td>205</td> </tr> <tr> <td>3</td> <td>70</td> <td>146</td> </tr> <tr> <td>4</td> <td>80</td> <td>221</td> </tr> <tr> <td>5</td> <td>90</td> <td>240</td> </tr> </tbody> </table> <p>Based on the given information, answer the questions given below: a. Calculate the Unit Price b. If the variable cost is 60% of the sale price, the Gross Margin per Unit of Sale.</p>	Week	No. of people taking meals	Average amount billed (in Rs.)	1	120	150	2	60	205	3	70	146	4	80	221	5	90	240	
Week	No. of people taking meals	Average amount billed (in Rs.)																		
1	120	150																		
2	60	205																		
3	70	146																		
4	80	221																		
5	90	240																		

Ans	<table border="1"> <thead> <tr> <th>Week</th> <th>No. of people taking meals</th> <th>Average amount billed (in Rs.)</th> <th>Total amount billed</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>120</td> <td>150</td> <td>18000</td> </tr> <tr> <td>2</td> <td>60</td> <td>205</td> <td>12300</td> </tr> <tr> <td>3</td> <td>70</td> <td>146</td> <td>10220</td> </tr> <tr> <td>4</td> <td>80</td> <td>221</td> <td>17680</td> </tr> <tr> <td>5</td> <td>90</td> <td>240</td> <td>21600</td> </tr> <tr> <td>TOTAL</td> <td>420</td> <td></td> <td>79800</td> </tr> </tbody> </table> <p>No. of Customers = $79800/420 = \text{Rs. } 190$ Cost = 60% of Unit Price, so Gross Margin is 40% of Unit Price. Unit Price. $40\% \times 190 = \text{Rs. } 76$</p>	Week	No. of people taking meals	Average amount billed (in Rs.)	Total amount billed	1	120	150	18000	2	60	205	12300	3	70	146	10220	4	80	221	17680	5	90	240	21600	TOTAL	420		79800	
Week	No. of people taking meals	Average amount billed (in Rs.)	Total amount billed																											
1	120	150	18000																											
2	60	205	12300																											
3	70	146	10220																											
4	80	221	17680																											
5	90	240	21600																											
TOTAL	420		79800																											

SAMPLE QP-2021-22-TERM 1

73 Moon Pharma Ltd. manufactures face masks and face shield, amidst the COVID 19 pandemic. The total fixed cost of entire operations is Rs. 1,40,000.

	Face mask (Per pcs)	Face shield (per pcs)
Selling price per box (in Rs.)	30	50
Variable cost per box(in Rs.)	20	30
Sales Mix %	60	40

The Break-

- a. 4,000 pieces
- b. 6,000 pieces
- c. 10,000 pieces
- d. 1,00,000 pieces

even quantity for face

_____.

Ans b. 6,000 pieces

74 Mota Ram runs a small business specialising in delivering organic fruits and Vegetables to the local area. He buys from local farms and packages these in boxes and delivers them locally. Total fixed cost incurred in the entire operation is Rs. 1,00,000. What will be the

	Organic Fruits (per Kg)	Organic Vegetables (per Kg)
Selling price per box (in Rs.)	350	250
Variable cost per box (in Rs.)	250	150
Sales Mix %	55	45

- a. 100 boxes
- b. 1000 boxes
- c. 10,000 boxes
- d. 1,00,000 boxes

Total Break Even Point for Mota Ram?

Ans b. 1000 boxes

75

Aloma Ayurvedic Limited is a well-established name in the market for ayurvedic medicine.

It has entered into the market of immunity booster drinks and has introduced Immunity Shots in special packaging, in two flavours. Total fixed cost incurred in the entire operation is Rs. 5,60,000. Based on the Break-even point analysis, will it be economically viable for Aloma Ayurvedic Limited to continue with the production of these immunity shots?

	AloTurm (50ml/ shot) (Aloe vera & Turmeric)	AloAm (50ml/ shot) (Aloe vera & Amla)
Selling price per shot (in Rs.)	50	75
Variable cost per shot (in Rs.)	25	45
Sales Mix in the year	4000 shots	6000 shots

- Yes, as there is a big market for immunity boosting products.
- No, because there is a limited variety of immunity boosting shots being introduced by the company.
- No, because the breakeven point is very greater than the combined sale of the two varieties
- Yes, because the breakeven point is smaller than the combined sale of the two varieties.

Ans

c. No, because the breakeven point is very greater than the combined sale of the two varieties

76

Nonika Ltd. manufactures two types of calculators, Basic Model and Scientific Calculators. The total fixed cost of entire operations is Rs. 1,40,000.

	Basic Calculator (Per pcs)	Scientific Calculator (per pcs)
Selling price per box (in Rs.)	370	575
Variable cost per box (in Rs.)	120	175
Sales Mix %	70	30

The weighted average contribution will be _____.

- Rs. 650
- Rs. 455
- Rs. 195
- Rs. 560

Ans

a. Rs. 650

77	<table border="1"> <tr> <td>1. Breakeven point</td> <td>i. A summary of projected assets, liabilities</td> </tr> <tr> <td>2. Proforma income statement</td> <td>ii. Actual payments are received or made</td> </tr> <tr> <td>3. Cash flow</td> <td>iii. Total revenue is equal to total cost of a firm</td> </tr> <tr> <td>4. Proforma balance sheet</td> <td>iv. Net profit calculated from projected revenue minus projected costs and expenses</td> </tr> </table> <p>Match the following</p> <p>a. 1 - iii, 2 - iv, 3 - ii, 4 - i b. 1 - iii, 2 - ii, 3 - iv, 4 - i c. 1 - ii, 2 - iii, 3 - i, 4 - iv d. 1 - iv, 2 - iii, 3 - ii, 4 - i</p>	1. Breakeven point	i. A summary of projected assets, liabilities	2. Proforma income statement	ii. Actual payments are received or made	3. Cash flow	iii. Total revenue is equal to total cost of a firm	4. Proforma balance sheet	iv. Net profit calculated from projected revenue minus projected costs and expenses	
1. Breakeven point	i. A summary of projected assets, liabilities									
2. Proforma income statement	ii. Actual payments are received or made									
3. Cash flow	iii. Total revenue is equal to total cost of a firm									
4. Proforma balance sheet	iv. Net profit calculated from projected revenue minus projected costs and expenses									

Ans	a. 1 - iii, 2 - iv, 3 - ii, 4 - i	
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78	<p>Calculation of Breakeven Point is useful for the entrepreneur as it helps in assessing:</p> <p>a. The maximum level of output to be produced. b. The effect of change in quantity of input upon the production. c. The cost price of the product. d. The profitable options in line of production.</p>	
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Ans	d. The profitable options in line of production.	
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SAMPLE QP-2021-22-TERM 2

79	<p>The annual quantity of Jackets sold by Meghana Wool Mart is 12,000 at the rate of Rs. 1000/- per jacket. The cost of placing an order and receiving goods is Rs.500/- per order. Inventory holding cost is Rs. 300/- per annum. What is the Economic Order Quantity for Meghana Wool Mart?</p>	2
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Ans	200 Jackets	
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80	<p>Calculate the Return on Equity (ROE) for Malti International Limited manufacturing premix for instant shakes and smoothies from the details given below</p> <ul style="list-style-type: none"> ● Investment- Rs. 10,00,000/- ● Borrowed Funds- Rs.6,00,000/- 	
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	<ul style="list-style-type: none"> ● Interest rate per annum is 10%. ● Monthly sales revenue is Rs. 6,00,000/- and Cost of goods sold is Rs.3,00,000/-. ● Fixed expenses per month Rs. 2,00,000/- (salary Rs.1,50,000/-, rent and utility Rs.50,000/-) ● Depreciation Rs.10,000/- ● Tax @ 20%. <p>If Malti international Limited wishes to know how their own money is being used, which parameter for performance evaluation, ROE or ROI, should be used?</p>	
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Sales Revenue for the year- 6,00,000 * 12	72,00,000
Cost of Goods Sold (COGS) for the year- 3,00,000*12	36,00,000
GROSS REVENUE	36,00,000
(Fixed expenses)- 24,00,000	
(Depreciation)- 10,000	(24,10,000)
GROSS PROFIT	11,90,000
(Interest on borrowed capital)	(60,000)
PROFIT AFTER INTEREST BEFORE TAX	11,30,000
Tax	2,26,000
NET EARNINGS AFTER INTEREST & TAX	9,04,000
ROE- Net Income/ Equity*100	904000/400000*100= 226%

ROE for Malti Enterprises is 226%

ROE is a good indicator for performance evaluation.

Ans

SAMPLE QP-2022-23

- 81 Which amongst the following values would help an entrepreneur to determine the Return on Investment? 1
1. Net Profit
 2. Gross Profit
 3. Inventory carrying cost per unit.
 4. Total Capital Invested
 5. Weighted average contribution
- a. 2,3,5
 - b. 1,4
 - c. 1,2,3
 - d. 2,3

Ans b. 1,4

- 82 Given below are information obtained from the balance sheet of PQR Ltd., What will be the gross working capital for PQR ltd. for the year ending 31st March 2022? **Assets: (in Rupees)** i. Cash- 60,000 ii. Stock- 50,000 iii. Trade Debtors- 65,000 iv. Short term investment- 15,000 **Liabilities: (in Rupees)** i. short term loans- 25,000 ii. Trade creditors- 5,000 iii. Outstanding expenses- 10,000

	a. 40,000 b. 1,90,000 c. 1,50,000 d. 2,30,000	
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Ans	b. 1,90,000	
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83	A grocery owner has an equity stake of ₹ 40,000/- in the business. He has borrowed ₹ 60,000/- at the interest rate of 10% per annum. He made a net profit of ₹ 20,000/- in one year. What will be the Return on Equity for the grocery owner? a. 20% b. 30% c. 35% d. 50%	
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Ans	d. Return on Equity = Net Income/Equity × 100 $20,000/40,000 \times 100 = 50\%$	
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84	VG Ltd. uses EOQ logic to determine the order quantity for its various components and plan its orders. The Annual consumption is 80,000 units, Cost to place one order is ₹ 1,200; Cost per unit is ₹ 50 and carrying cost is 6% of Unit cost. What is the EOQ for VG Ltd.? How will the calculation of EOQ benefit VG Ltd.?	5
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Ans	$D = 80,000$ $C = 6\% \times 50 = 3$ $P = 1200$ $EOQ = \sqrt{2DP/C} = \sqrt{2 \times 80,000 \times 1,200 / 3} = \sqrt{6,400,000}$ = 8000 units Calculation of EOQ will a) determine the ideal quantity for which an order should be placed so that there is no stockout situation. b) help the company to assess the required quantity of raw material and supplies. The stock of raw material should not be so huge that it incurs additional inventory holding cost.	
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SAMPLE QP-2023-24

85	<p>What will be the Net Working Capital of Sukhom Ltd. from the given data?</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Cash</td> <td>Rs. 2,00,000</td> </tr> <tr> <td>Account Receivables</td> <td>Rs. 1,50,000</td> </tr> <tr> <td>Account Payables</td> <td>Rs. 65,000</td> </tr> <tr> <td>Inventory</td> <td>Rs. 3,00,000</td> </tr> <tr> <td>Short term borrowings</td> <td>Rs. 1,00,000</td> </tr> <tr> <td>Outstanding Salaries</td> <td>Rs. 50,000</td> </tr> </table> <p>a. Rs. 6, 50,000 b. Rs. 2,15,000 c. Rs. 8,65,000 d. Rs. 4,35,000</p>	Cash	Rs. 2,00,000	Account Receivables	Rs. 1,50,000	Account Payables	Rs. 65,000	Inventory	Rs. 3,00,000	Short term borrowings	Rs. 1,00,000	Outstanding Salaries	Rs. 50,000	
Cash	Rs. 2,00,000													
Account Receivables	Rs. 1,50,000													
Account Payables	Rs. 65,000													
Inventory	Rs. 3,00,000													
Short term borrowings	Rs. 1,00,000													
Outstanding Salaries	Rs. 50,000													

Ans		
-----	--	--

86

Given below is the data from the cost sheet of 'Shiv Dhaba'. Calculate the unit price per customer from the information provided.

Week	Number of people taking meals	Average amount billed (in Rs.)
Week 1	120	150
Week 2	60	205
Week 3	70	146
Week 4	80	221
Week 5	90	240

Ans

87 The quantity of jeans sold by a shop is 1,200 per month @ of ₹1100/-. The cost of placing an order and receiving goods is ₹1500/- per order. The inventory holding cost is ₹30/- per annum. What is the economic order quantity for the shopkeeper?

Ans

88

Fast Rite Ltd. manufactures a variety of stationery but its most popular product is its pen. Three varieties of pens to suit the need of its users.

The details of the pens are given in the table below.

Variety	Classic Pen	Gel Ball Pen	Executive Ball Pen	Four-in-one Ball Pen
Selling Price per unit (in rupees)	15	21	21	36
Variable cost per unit (in Rupees)	9	14	14	19
Sales Mix	20%	20%	20%	60%

The total fixed cost is Rs. 2,56,000.

Calculate the following from the information given above.

- Total weighted average contribution margin
- Breakeven Quantity for each variety
- Break even (in Rupees) for Four-in-one Ball Pen

Ans

YEAR 2024

89 Raghuram has been appointed as the stock incharge in a readymade shirt manufacturing company. The Production Manager asks Raghuram to ensure the availability of fabric without any interruption so that there is no stock-out situation. For this Raghuram wants to know the re-order point of fabric for the company, that is to determine when to place an order. For this he found out the procurement lead time, which is 2 months, and the demand during this period, which is expected to be 300 bales of cotton fabric per month. So the order should be placed when the stock reaches:

- A) 600 bales
 B) 450 bales
 C) 300 bales
 D) 150 bales

Ans	A) 600 bales	
90	<p>Choose the correct formula from the following for calculating 'Gross Working Capital' :</p> <p>(A) Gross Working Capital = Cash + Accounts Receivable + Fixed Assets + Other Current Assets</p> <p>(B) Gross Working Capital = Cash + Accounts Payable + Inventory + Other Current Assets</p> <p>(C) Gross Working Capital = Cash + Accounts Receivable + Inventory + Other Current Assets</p> <p>(D) Gross Working Capital = Cash + Accounts Receivable + Inventory + Long Term Liabilities</p>	
Ans		

91 A Beauty parlour had varying number of customers during five weeks. From the given information, calculate 'Unit Price' per customer.

<i>Weeks</i>	<i>Number of Customers</i>	<i>Average Amount billed per customer (in ₹)</i>
1	20	200
2	34	170
3	26	142
4	44	462
5	36	350

Ans

92 'Happy Hands Ltd.' manufactures liquid hand wash for children with minimal chemicals. They have three varieties of liquid soap. The fixed cost for the production process is ₹ 2,49,000.

<i>Variety</i>	<i>Scrub Hand Wash</i>	<i>Gel Hand Wash</i>	<i>Foam Hand Wash</i>
Selling Price per 100 ml in (₹)	155	175	195
Variable Cost per 10 ml in (₹)	75	95	105
Sales Mix	40%	30%	30%

Form the above data, calculate the following :

- Total weighted average contribution margin.
- Break-even-quantity for each variety of liquid hand wash.
- Break-even-point in rupees for Scrub Hand Wash.

Ans
