

Topic: BUSINESS ARITHMETIC

MULTIPLE CHOICE QUESTIONS (1 MARK)

1. The _____ is the Unit of Sale for multi-product business.
A.Owner
B.Customer
C.Supplier D.Bank

2. At BEP, which of the condition is to be fulfilled:
A. Total Revenue = Total Profit
B. Total Profit = Total Cost
C. Total revenue = Total cost
D. Total Revenue = fixed cost

3. Monika 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 _____.
A. Rs. 650 B. Rs. 455 C. Rs. 195 D. Rs. 560

4. 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 Breakeven point analysis, will it be economically viable for Aloma Ayurvedic Limited to continue with the production of these immunity shots?

	AloTurm (50ml/ shot) (Aloevera & Turmeric)	AloAm (50ml/ shot) (Aloevera & Amla)
Selling price per box (in Rs.)	50	75
Variable cost per box(in Rs.)	25	45
Sales Mix %	4,000 shots	6,000 shots

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

D. Yes, because the breakeven point is smaller than the combined sale of the two varieties. 5.
If the purchase price is 80% of selling price, and the selling Price is Rs,2,000. Then the gross profit per unit earned by the business is:

- A.Rs.1,000
- B.Rs.500
- C.Rs.1,600
- D.Rs.400

6. Cello Co. ltd manufacturers has three products: Pen, Pencil and Eraser.

	PEN	PENCIL	ERASER
Total weighted average contribution per unit	₹ 10	₹ 12	₹ 8

Total fixed cost is ₹ 90,000.

From the above given information Overall break even points in units will be:

- A. 4,000
- B. 2,000
- C. 3,000
- D. 5,000

7. What will be the Net Working Capital of Sukhoi Ltd. from the given data?

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.
A. Rs. 6, 50,000 B. Rs. 2,15,000 C. Rs. 8,65,000 D. Rs. 4,35,000

8. 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

9. 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%

10. 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.

- A.Break-even point
- B.Working Capital
- C.Reorder Level
- D.Economic Order Quantity

11. 8.The total bill in a restaurant during a week was ₹ 18,000. Though the food bill for individual customer was different but the average bill amount was ₹ 150. Based on this information, the number of customer who ate in that restaurant during the week is

- A.90
- B.100
- C.120
- D.140

12. If procurement or manufacturing lead time is 2 months, and demand during this period is expected to be 300 units per month, then the re order level is:

- A.150 units

- B.600 units
- C.100 units
- D.500 units

13.ASSERTION: The Cash Conversion Cycle is the length of time between a firm’s purchase of inventory and the receipt of cash from accounts receivable.

REASON: The cash conversion cycle for a manufacturing business is higher than a trading concern.

- A. Assertion and Reason both are incorrect
- B. Assertion and Reason both are correct but not a correct explanation
- C. Assertion and Reason both are correct and a correct explanation
- D. Assertion is wrong but Reason is correct

14. Nomee India Ltd.’ are the producers of two different sizes of televisions. From the information given below, calculate the ‘Break-Even Quantity’ of the T.V. sets manufactured per month. Information:

Size of T.V	Unit Selling Price	Unit variable cost	Allocated Fixed expense
43inch	Rs.45,000	Rs.36,000	Rs.1,08,000
55inch	Rs.60,000	Rs.50,000	Rs.1,20,000

Choose the correct option for Break-even point for the TV sets:

- A. 43 inch – 10 units and 55 inch- 12 units
- B. 43 inch – 12 units and 55 inch- 10 units
- C. 43 inch – 10 units and 55 inch- 10 units
- D. 43 inch – 12 units and 55 inch- 12 units

15. The following table shows the number of guests who all stayed in a hotel in last 4 weeks and also their total bill amount for food, lodging and leisure activities.

WEEK	No. of guests	Total Bill (Rs.)
1	24	4,100
2	12	3,000
3	14	3,400
4	10	1,800
TOTAL	60	12,300

What is the value of unit price for the hotel?

- A. Rs.200
- B. Rs.205
- C. Rs.208
- D. Rs.210

CASE BASED/COMPETENCY BASED/ DESCRIPTIVE TYPE QUESTIONS: (2/3/5 Marks)

16. The product mix of a business consists of 3 products A, B and C. The selling price per unit is Rs.15, Rs.21 and Rs.36 respectively. The Variable cost per unit A – Rs.9; B- Rs.14 and C- Rs19.

The Sales mix percentage A- 20%, B- 20%, C- 60%. Total fixed cost Rs.40,000.

Calculate the break-even point in units and in rupees.

17. The Family Store’ a readymade garments retail shop sold 8,000 shirts at Rs 400 per shirt during the year ended 31st March, 2023. Cost of placing an order and receiving goods is Rs 200 per order. Inventory holding cost is Rs 500 per year. Calculate the ‘Economic Order Quantity’ for ‘the Family Store.

18. 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. (i)What is the EOQ for VG Ltd.? (ii) How will the calculation of EOQ benefit VG ltd.?

19. 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?

20. Discuss the concept of Operating cycle and Cash Conversion Cycle.

21. Explain the factors to be considered in inventory control.

22. Raj started a restaurant on a National Highway in the name of ‘Desi Dhaba’ by spending Rs.25,00,000. He invested Rs.10,00,000 of his own and took a loan of Rs.15,00,000 from Dena Bank, @ 6% per annum. His monthly sales revenue is Rs.17,00,000 and cost of goods sold is Rs.9,00,000. He pays monthly salary of Rs.3,00,000 to his employees. The tax rate is 25%. You are required to calculate : (a) Return on Investment and (b) Return on Equity for Raj.

23. Fast Return Mutual Fund Co.is a potential investor who wishes to be a part of Equity Linked Saving Scheme (ELSS). They have been given the particulars of two companies to seek your advice on investment. Compare the Return on Equity of the two companies and suggest where should he invest.

Particulars	Alpha Ltd. (Rs.)	Beta Ltd.(Rs.)
Total Investment	20,00,000	20,00,000
Owners Fund	10,00,000	8,00,000
Borrowed Fund	10,00,000	12,00,000
Interest on loan	60,000	48,000
Annual Sales	10,00,000	15,00,000
Cost of goods sold	7,00,000	8,50,000
Salaries	24,000	36,000
Utilities	75,000	1,00,000
Depreciation	5,500	6,000
Tax rate	20%	20%

