



INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce
Worksheet 6	Topic: BUSINESS FINANCE & ARITHMETIC

CHOOSE THE CORRECT ANSWER

- Which of the following item is considered as non-cash expenditure
(A) Rent (B) Insurance premium (C) **Depreciation** (D) Transport charges
- It can be defined as the cost incurred by a company to produce, store and sell one unit of sale of a particular product or service
(A) **Unit cost** (B) Unit of sale (C) Unit price (D) Fixed cost
- Formula for calculating gross profit:
(A) Unit sales + Unit cost
(B) Fixed cost – Variable cost
(C) Unit cost – Fixed cost
(D) **Unit sales – Unit cost**
- Unit of sale for a plumber is
(A) Kilogram (B) **Time** (C) Square feet (D) litre
- Statement 1: Expenses are incurred
Statement 2: Costs are derived
Choose the correct option.
(A) **Both the statements are true**
(B) Both the statements are false
(C) Statement 1 is true, statement 2 is false
(D) Statement 1 is false, statement 2 is true.
- Fill in the blanks:
(i) Acquiring initial raw material and other related items of initial expenses is an example of _____ cost. Ans: Start-up cost.
(ii) _____ are ongoing costs not affected by change in production/sales volume.

Ans: Fixed cost

(iii) It is the point at which the company neither makes a profit nor suffers a loss_____

Ans: Break-even point

7. Match the following

Column A

(i) Contribution/unit

(ii) Fabric

(iii) Salary of office staff

(iv) Smart phone

(v) Total Revenue = Total cost

Column B

(a) Fixed cost

(b) Selling price/unit – variable cost/unit

(c) pieces

(d) Metre

(e) Break-even

Ans: (i)-b (ii)-d (iii)- a (iv)-c (v)-e

8. Classify the following costs as Fixed and Variable:

i) Machinery

Fixed

ii) Freight Inward

Variable

iii) Consultancy charges

Fixed

iv) Wages based on production

Variable

v) Packing material

variable

9. The unit cost of a health drink is Rs.16 and the unit price is Rs.20. Calculate the Gross profit per unit.

$$\begin{aligned} \text{GP per unit} &= \text{SP/unit} - \text{Unit cost} \\ &= 20 - 16 = \text{Rs.4 per unit.} \end{aligned}$$

10. The cost of preparing a cup of tea is Rs.7., it includes the cost of tea leaves, milk, sugar. The tea stall wants to make a profit of Rs.2 by selling each cup. Find the unit price or selling price per unit.

$$\begin{aligned} \text{Unit price} &= \text{Unit cost} + \text{GP} \\ &= 7 + 2 = \text{Rs.9 per unit.} \end{aligned}$$

11. A company makes a product with a selling price of Rs.20 per unit and variable cost is Rs.12 per unit. The fixed cost for the period is Rs.40,000. How many units to be sold to reach Break Even?

$$\begin{aligned} \text{Contribution per unit} &= \text{SP per unit} - \text{VC per unit} \\ &= 20 - 12 = \text{Rs.8.} \end{aligned}$$

$$\text{BEP} = \text{Fixed cost} / \text{Contribution per unit}$$

$$= 40,000 / 8 = 5,000 \text{ units.}$$

12. The following information relates to a company, which produces a single product.

Direct labour per unit	Rs. 22/-
Direct materials per unit	Rs.12/-
Variable overheads per unit	Rs.6/-
Fixed costs	Rs. 4, 00,000/-
Selling price per unit	Rs. 60/-

Use the figures above to show the minimum number of units that must be sold for the company to break even.

Variable cost/unit = Direct material + Direct labour + Variable overhead

$$= 12 + 22 + 6$$

$$= \text{Rs.}40.$$

Contribution/unit = selling price/unit – Variable cost/unit

$$= \text{Rs.}60 - \text{Rs.}40 = \text{Rs.}20.$$

Break Even point = $\frac{\text{Fixed Cost}}{\text{Contribution/unit}}$

$\frac{4,00,000}{20}$

$$= \frac{4,00,000}{20}$$

20

$$= 20,000 \text{ units.}$$

13. State the purpose of calculating Break Even point?

The purpose of calculating BEP are as follows:

- i. It is simple, yet powerful quantitative tool for managers.
- ii. Breakeven analysis provides insight into whether or not revenue from a product or service has the ability to cover the relevant costs.
- iii. Entrepreneurs can use this information in making a wide range of business decisions:
 - ❖ Setting prices.
 - ❖ Preparing competitive bids.
 - ❖ Applying for loans.
 - ❖ Profit Planning and Goal setting.

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