CHAPTER 5 MANAGERIAL DECISION MAKING

PART B: PRACTICAL

KEY FACTOR/LIMITNG FACTOR:

Q.1. A Company manufactures and sells two products X and Y both of which utilise the same skilled labour. For the coming period, the supply of skilled labour is limited to 2,000 hours. Data relating to each product are as follows:

Products	**X**	**Y**
Selling price per unit (Rs.)	20	40
Variable cost per unit (Rs.)	12	30
Skilled labour hours per unit	2	4
Maximum demand (units)	800	400

You are required to compute the most profitable mix.

Q.2. XYZ ltd manufactures two products which require material A. Data relating to products are:

Products	**Cee**	**Dee**
Selling price per unit (Rs.)	35	47
Variable cost per unit (Rs.)	21	32
Material A usage (per unit)	3.5 kgs	5 kgs
Maximum sales demand (units)	10,000	7,000

In the next period, the supply of material A will be to 35,000 kgs.

You are required to compute the most profitable mix.

SPECIAL ORDER:

Q.3. The cost sheet of a product is as follows:

Particulars	**Per Unit (Rs.)**
Direct Material	10
Direct Labour	5
Factory Overheads:	
Variable	2
Fixed	1
Administrative expenses (Fixed)	1.5
Selling and distribution expenses:	
Variable	1
Fixed	0.5

The selling price per unit is Rs. 25. The above cost information is for an output of 50,000 units whereas the capacity of the firm is 60,000 units. A foreign customer is desirous of buying 10,000 units at a price of Rs. 19 per unit. The extra cost of exporting the product is 0.50 per unit. You are required to advise the manufacturer whether the order should be accepted.

❑ ❑ ❑