



MEASI INSTITUTE OF MANAGEMENT
CHENNAI-14

Approved by All India Council for Technical Education and
Affiliated to the University of Madras, ISO 9001:2015 Certified Institute

CASE STUDIES

ACCOUNTING FOR MANAGERS

Case Study Number	1
Level of Teaching	L3
Program Outcomes Covered	PO1, PO2, PO3, PO6 & PO7
Course Outcome Covered	C104.3 & C104.4

ABC Industries developed the following income statement using a contribution margin approach. The projected income statement was based on sales of 100,000 units. It has the capacity to produce 120,000 units during the year. Required:

Sales		750000
Variable manufacturing costs	280000	
Variable selling costs	120000	
Less: Total variable cost		400000
Contribution		50000
Fixed manufacturing Cost	130000	
Fixed selling and administrative costs	80000	
Less: Total fixed costs		210,000
Operating Income / Profit		140,000

1. Determine the break-even point in units and sales Rs.
2. If the company would like to achieve its target profit of Rs. 315,000, how many units and sales in Rs. that would require?
3. The sales manager believes the company could increase sales by 8,000 units if advertising expenditures were increased by Rs. 22,000. Determine the effect on income if the company increases advertising expenditures.
4. What is the maximum amount the company could pay for advertising if the advertising would increase sales by 8,000 units?

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CASE STUDIES

ACCOUNTING FOR MANAGERS

Case Study Number	2
Level of Teaching	L3
Program Outcomes Covered,	PO1, PO2, PO6 & PO7
Course Outcome Covered	C104.4

Alpha manufactures a product called "RAPIDO" below is the estimated information for the month of June 2019

Sales 1,00,000 units

Selling price Rs. 12/ unit

Opening inventory of RAPIDO 21,800 units

Closing inventory of RAPIDO 7,500 units

Each unit of **RAPIDO** requires 4 units of direct material AA at the price of Rs. 3.50 per unit. The opening inventory of direct material AA is 21,800 units. The company has decided that closing inventory for direct material AA should be maintained at the level of 11,000 units at the end of each month. Each unit of completed **RAPIDO** requires 15 minutes of direct labor (0.25 hour) and paid at the rate of Rs. 40 per hour.

Based on the above information, you are required to prepare the following budgets

- i) Production budget for the month of June 2019
- ii) Direct materials purchase budget for the month of June 2019.