Roll No.											

PRESIDENCY UNIVERSITY
BENGALURU

School of Commerce

Mid - Term Examinations - November 2024

Semester: V	**Date**: 04-11-2024
Course Code: MAH3001	**Time**: 09:30am – 11:00pm
Course Name: Strategic Financial Management II	**Max Marks**: 50
Program: School of Commerce	**Weightage**: 25%

Instructions:

(i) Read all questions carefully and answer accordingly.
(ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2 marks. **2Mx5Q=10M**

1	As fixed costs for a firm rise, all other things hold constant, what will happen to the breakeven point?	2 Marks	4	1
2	In a make-versus-buy decision, relevant costs include variable manufacturing costs as well as what?	2 Marks	4	1
3	How would the addition of a new product with a lower contribution margin impact the overall profitability of a multi-product company?	2 Marks	4	1
4	Analyze how opportunity costs influence the decision to add or drop a product line.	2 Marks	4	1
5	How does the concept of price elasticity influence a company's decision to increase or decrease prices in different market conditions?	2 Marks	4	2

Part B

Answer ALL Questions. Each question carries 10 marks. **4QX10M=40M**

6. A company has an income statement for 600,000 units with the following details: — 10 Marks | 3 | 1

- Sales: $30,000,000
- COGS: $20,000,000
- Gross Profit: $10,000,000
- Selling & Distribution Expenses (S&D): $2,500,000
- Operating Income: $7,500,000

The cost of goods sold (COGS) is 75% variable and 25% fixed. The selling & distribution (S&D) expenses are 40% variable and 60% fixed.

a) Calculate the Break-Even Point (BEP) in units. (5 marks)

		b) Calculate the Break-Even Point (BEP) in sales dollars. (5 marks)			
		OR			
7.		Given the following data: Selling price per unit = $40, Variable cost per unit = $25, Fixed costs = $15,000, Actual sales = 1,200 units. Calculate the Margin of Safety in both units and as a percentage.	5 Marks	3	1
		Describe the Margin of Safety and explain its significance in Cost-Volume-Profit Analysis.	5 Marks	2	1
8.	8a	Discuss how changes in variable costs and selling prices impact the break-even point. Use a hypothetical example to illustrate how a change in variable costs affects the break-even point.	5 Marks	4	1
	8b	The business aims to earn a target profit of $35,000. The selling price per unit is $40, the variable cost per unit is $25, and fixed costs are $50,000. Calculate the number of units that must be sold to achieve this target profit.	5 Marks	3	1
		OR			
9.	9a	Discuss the concept of "relevant costs" in marginal analysis and explain why fixed costs are often considered irrelevant in short-term decision-making. Provide an example of a relevant cost for a make-or-buy decision.	5 Marks	4	1
	9b	A company has fixed costs of $20,000 and variable costs of $10 per unit. If the cost of outsourcing production is $15 per unit, calculate the total cost at a production level of 5,000 units for both in-house production and outsourcing, and determine which option is more cost-effective.	5 Marks	3	1
10.	10a	Discuss how Cost-Volume-Profit Analysis can be used to evaluate the impact of a change in sales mix on profitability	5 Marks	4	1
	10b	A company sells two products: Product A and Product B. Product A has a Contribution Margin of $15 per unit, and Product B has a Contribution Margin of $20 per unit. If the company plans to sell 2,000 units of Product A and 1,500 units of Product B, calculate the total Contribution Margin from both products.	5 Marks	3	1
		OR			

11.	11a	Describe the key differences between "market-based pricing" and "cost-based pricing." Why might a company choose one approach over the other?	5 Marks	2	2
	11b	A company uses market-based pricing to set its product price at \$80 per unit, aligning with competitors. If the cost to produce each unit is \$60, calculate the company's gross profit margin per unit and the percentage margin.	5 Marks	3	2
12.	12a	Define relevant costs and irrelevant costs in marginal analysis. Provide examples of each. for short-term business scenarios.	5 Marks	2	1
	12b	A business is considering a special order at a lower price than its regular sales price. Its regular variable cost per unit is \$15, and fixed costs are \$10,000. If the special order price is \$20 per unit for 1,000 units, should the company accept the order? Explain using marginal analysis.	5 Marks	4	1
		OR			
13.	13a	Discuss the importance of opportunity cost in marginal analysis. How does it impact decision-making in resource allocation?	5 Marks	4	1
	13b	Differentiate between incremental cost and sunk cost in marginal analysis. Why are sunk costs ignored in short-term decision-making?	5 Marks	4	1