Manufactures car alarms essay

Costss: Materials: direct. variable1. 600Labor: direct. variable960Labor: indirect. fixed280Other production operating expenses: variable400Other production operating expenses: fixed640Selling operating expenses: variable480Selling operating expenses: fixed360Distribution operating expenses: variable280Distribution operating expenses: fixed120Administration operating expenses: fixed600(5. 720)Net net income for the year1. 480

Anhad is be aftering following year’s activity and its prognosiss for the twelvemonth ended 31 October 2014 are as follows: 1. A decrease in selling monetary value per auto dismay to RM8 per dismay is expected to increase gross revenues volume by 50 % . 2. Materials costs per unit will stay unchanged. but 5 % measure price reduction will be obtained. 3. Hourly direct pay rates will increase by 10 % . but labour efficiency will be unchanged. 4. Variable merchandising operating expenses will increase in entire in line with the addition in gross revenues gross. 5. Variable production and distribution operating expenses will increase in line with the 50 % addition in gross revenues volume. 6. All fixed costs will increase by 25 % .

You are required to make the followers: a) Fix a budgeted net income statement for the twelvemonth to 31 October 2014 demoing entire gross revenues and fringy costs for the twelvemonth and besides part and net net income per unit. B) Calculate the break-even point for the two old ages and explicate why the break-even point has changed. Remark on the border of safety in both old ages. degree Celsius) Calculate the gross revenues volume required (utilizing the new merchandising monetary value) to accomplish the same net income in 2014 and in 2013. vitamin D) A manager remarks that ‘ with these figures. all we have to make to work out our budgeted net income is to multiply the net net income per unit by the units we want to sell” . Why is this statement incorrect?

Satnam Berhad is sing diversifying their concern activities and they are presently reexamining two proposals. Proposal A is to establish their ain telecasting station whilst Proposal B is a joint venture with Kaboor Limited to establish a orbiter that would enable the African part to have advertizements for both company’s merchandises.

The available information is follows:

Proposal A – Television StationInitial set-up costs: RM250 millionAnnual running costs: RM100 millionEstimated life of undertaking: 5 old agesValue of assets released at the terminal of the undertaking: RM40 million Increased gross revenues as a consequence of advertisement merchandises: RM60 million in the first twelvemonth. turning cumulatively by 50 % each twelvemonth for the undermentioned four old ages.

Undertaking B – SatelliteInitial set-up costs: RM700 millionAnnual running costs: RM50 millionValue of assets released at the terminal of the undertaking: RM10 million (Note: all the above to be shared 50/50 with Kaboor Limited)

Estimated life of the undertaking is 6 old ages.

Increased gross revenues for Satnam Berhad as a consequence of publicizing their merchandises in the African continent: RM80 million in the first twelvemonth. turning cumulatively by 20 % each twelvemonth for the undermentioned five old ages.

Funding for both undertakings would be at a cost of capital of 6 % .

Relevant price reduction factors at 6 % p. a. are:

Year Accumulative

10. 9430. 94320. 8901. 83330. 8402. 67340. 7923. 46550. 7474. 21260. 7054. 917

Required:

a) Using the net present value method of investing assessment. critically evaluate the two proposals and do your recommendation to Satnam Berhad.
B) What other considerations should Satnam Berhad take into history in make up one's minding which Project to prosecute?