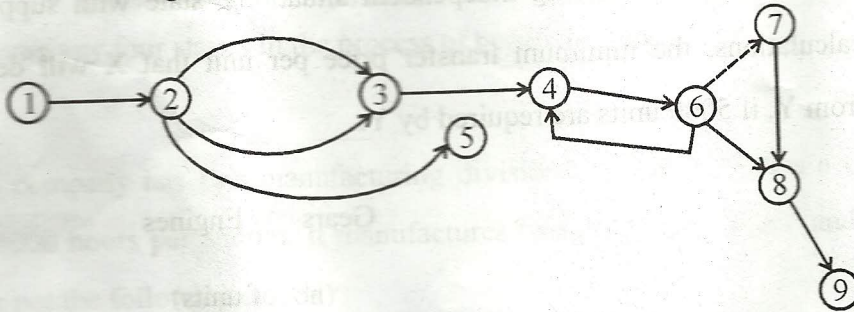


(10)

MCB

Marks

- (b) Point out the errors in the network given below, going by the usual conventions while drawing a network to use CPM. 5



- (c) Maruthi Agencies has received an order from a valuable client for supplying 3,00,000 pieces of a component at ₹ 550 per unit at a uniform rate of 25000 units a month. 6

Variable manufacturing costs amount to ₹ 404.70 per unit, of which direct materials is ₹ 355 per unit. Fixed production overheads amount to ₹ 30 lacs per annum, excluding depreciation. There is a penalty/reward clause of ₹ 30 per unit for supplying less/more than 25000 units per month. To adhere to the schedule of supply, the company procured a machine worth ₹ 14.20 lacs which will wear out by the end of the year and will fetch ₹ 3.55 lakhs at the year end. After this supply of machine, the supplier offers another advanced machine which will cost ₹ 10.65 lakhs, will wear out by the year end and not have any resale value. If the advanced machine is purchased immediately, the purchaser will exchange the earlier machine supplied at the price of the new machine. Fixed costs of maintaining the advanced machine will increase by ₹ 14,200/- per month for the whole year. While the old machine had the capacity to complete the production in 1 year, the new machine can complete the entire job in 10 months. The new machine will have material wastage of 0.5%. Assume uniform production throughout the year for both the machines. Using incremental cost / revenue approach, decide whether the company should opt for the advanced version.

MCB