

Quotation

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Note

Quotation is an offer submitted by a supplier in response to the circular notice or the advertisement regarding the requirements of a purchaser.

While preparing quotation the supplier must study the requirements of and the conditions laid down by the purchaser – the quantity and the quality of material required, source of procuring required material, time available, government policy, competitors, cost calculations, marketing conditions etc. The supplier is required to have correct judgement in quoting rates – if he

supplier

quotes high rates, he may not be selected and he will lose business and if he quotes lower rates he will suffer loss, though he is selected by the purchaser.

Problem No. 7 (Quotation)

Q2) Attempt any two :

a) Mehata Publication Pvt. Ltd. provides you the following information for the month of February 2014. [8]

- i) Number of books produced – 2000
- ii) Details of Cost incurred for the purpose of production of these books –

Particulars	₹
Stock of Raw material on 1/2/2014	40000
Raw Material Purchased	80000
Direct Wages	40000
Factory Overheads	30000
Administrative Overheads	20000
Selling Overheads	40000
Sales	300000

The company has received an order for supply of 3000 books to be completed in the month of March. During this month, it is expected that the cost of material will rise by 20% and wages by 10%. Other overheads per book will remain same. Assuming the same percentage of profit, you are asked to calculate the price per unit to be quoted for the supply order of 3000 units.

Problem No. 7 (Quotation) Solution

Que. 2 A)

Statement of Cost for 2000 books

Particulars	Total ₹	P.U.₹
Opening stock of R. M.	40000	
+ purchases of R. M.	80000	
Material Consumed	120000	60
Direct Wages	40000	20
Prime Cost	160000	80
Factory Overheads	30000	15
Works Cost	190000	95
Administrative Overheads	20000	10
Cost of Production	210000	105
Selling Overheads	40000	20
Total Cost	250000	125
Profit	50000	25
Sales	300000	150

250,000 : 50,000
100 : ?
 $\frac{100}{250,000} \times 50,000$
= 20%

Quotation for 3000 books

Particulars	₹	Total ₹	P.U.₹
Material	180000		
+ 20% increase	36000	216000	72.00
Direct Wages	60000		
+ 10% increase	6000	66000	22.00
Prime Cost		282000	94.00
Factory Overheads		45000	15.00
Works Cost		327000	109.00
Administrative Overheads		30000	10.00
Cost of Production		357000	119.00
Selling Overheads		60000	20.00
Total Cost		417000	139.00
Profit - 20% on 417000		83400	27.80
Sales		500400	166.80

For 2000
- 40000 + 80000 = 120,000
For 3000
2000 : 120,000
3000 : ? 180,000
+ 20% on 180,000
+ 36,000
216,000

Calculation of Profit Ratio - $\frac{50000 \times 100}{250000} = 20\%$

Thank u