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12MBAFM324

Third Semester MBA Degree Examination, Dec. 2013 / Jan. 2014
Cost Management

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any THREE questions from Q.No.1 to Q.No.6
2. Q.No.7 and 8 are compulsory.

- 1 a. What is meant by cost? (03 Marks)
 b. What are the classifications of cost? Briefly explain. (07 Marks)
 c. ABC Co.Ltd has three production departments A, B and C and two service departments D and E. The following figures are extracted from the records of the company.

Rent and Rates	Rs 5,000
General lighting	Rs 600
Indirect wages	Rs 1500
Power	Rs 1500
Depreciation of machinery	Rs 10,000
Sundry expenses	Rs 10,000

The following further details are available.

	Total	A	B	C	D	E
Floor space (Sq. ft)	20,000	4000	5000	6000	4000	1000
Light points	120	20	30	40	20	10
Direct wages (Rs)	10,000	3000	2000	3000	1500	500
H.P of machines	150	60	30	50	10	-
Value of machine (Rs)	2,50,000	60,000	80,000	1,00,000	5,000	5,000

Apportion the costs to various departments on the most equitable basis and prepare overhead distribution summary. (10 Marks)

- 2 a. What is Overhead? (03 Marks)
 b. The following information is given : Sales = Rs 2,00,000 ; Variable cost = Rs 1,20,000 ; Fixed cost = Rs 30,000. Calculate i) BEP ii) New BEP if selling price is reduced by 10% iii) New BEP if variable cost increases by 10% iv) New BEP if fixed cost increases by 10%. (07 Marks)
 c. Zen Ltd., supplies you the following data :

Direct material cost	Rs 48,000
Direct wages	Rs 22,000
Variable overhead - Factory	Rs 13,000
Admin & Selling	Rs 2,000
Fixed overheads - Factory	Rs 20,000
Admin & Selling	Rs 8,000
Sales	Rs 1,25,000

Prepare as income statements, under absorption costing and marginal costing. (10 Marks)

- 3 a. What are the classification of Budget? (03 Marks)
 b. Explain the steps in activity based costing. (07 Marks)
 c. Define cost audit and explain the advantages of cost audit to managements, shareholders , consumers and governments. (10 Marks)

- 4 a. What are the tools and techniques for cost reduction? (03 Marks)
 b. Explain in detail the various kinds of internal reports. (07 Marks)
 c. Explain the features of Balance score card performance measure. (10 Marks)

- a. A factory has three production departments A, B and C and two service departments P and Q. The overheads departmental distribution summary shows the following :
 A = Rs 6,50,000 ; B = Rs 6,00,000 ; C = Rs 5,00,000 ; P = Rs 1,20,000 ; Q = Rs 1,00,000.
 The service department expenses are allotted on a percentage basis as follows:

	Production departments			Service departments	
	A	B	C	P	Q
Service Dept P	30%	40%	15%	-	15%
Service Dept Q	40%	30%	25%	5%	-

Show how the expenses of the two service departments are to be charged to production department on the basis of Repeated distribution method. (10 Marks)

- b. A Company manufacturing two products , furnishes the following data for a year

Products	Annual output (units)	Total machine hours	Total No. of purchases orders	Total number of set - ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under :

Volume related activity costs Rs 5,50,000 ; Set – up related costs Rs 8,20,000 ;

Purchase related costs Rs 6,18,000.

You are required to calculate the cost per unit of each product A and B based on Activity – based costing method. (10 Marks)

- 6 a. A standard mix to produce one unit of product is as follows :

Material A	60 units @ Rs 15/ p.u	= 900
Material B	80 units @ Rs 20/p.u	= 1,600
Material C	100 units @ Rs 25/ p.u	= 2,500
Total	240 units	5000

During the month of April, 10 units were actually produced and consumption was as follows:

Material A	640 units @ Rs 17.50/ p.u	= 11,200
Material B	950 units @ Rs 18.00/p.u	= 17,100
Material C	870 units @ Rs 27.50/ p.u	= 23,925
Total	2460 units	52,225

Calculate all material variances. (10 Marks)

- b. The expenses budgeted for production of 10,000 units in a factory are furnished below :

	Rs per unit
Material	70
Labour	25
Variable O/H	20
Fixed O/H (Rs. 1,00,000)	10
Variable expenses (direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Admin. Expenses (Rs 50,000)	5

(10 Marks)

- 7 a. The following information has been made available from the records of precision tools Ltd. for the six months of 2012 (and the sales of January 2013), in respect of production X:
- (i) The units to be sold in different months are:
 July 2012 = 1100 ; November 2012 = 2500
 August 2012 = 1100 ; December 2012 = 2300
 September 2012 = 1700 ; January 2013 = 2000
 October 2012 = 1900
- (ii) There will be no work in progress at the end of any month.
 (iii) Finished units equal to half the sales of the next month will be in stock at the end of every month (including June 2012)
- You are required to prepare production budget for the six months of 2012. (05 Marks)
- b. Distinguish between absorption costing and marginal costing. (05 Marks)
- c. Compare the activity cost based techniques with traditional costing methods and explain the benefits of ABC. (05 Marks)
- d. Distinguish between cost audit and financial audit. (05 Marks)
- 8 From the following information for the month of January, prepare a cost sheet to show the following components: i) prime cost ii) Factory cost iii) cost of production iv) total cost. (20 Marks)

	Rs.
Direct material	57000
Direct wages	28500
Factory rent and rates	2500
Office rent and rates	500
Plant repairs and maintenance	1000
Plant depreciation	1,250
Factory heating and lighting	400
Factory manager's salary	2,000
Office salaries	1,600
Director's remuneration	1,500
Telephone and postage	200
Printing & stationary	100
Legal charges	150
Advertisement	1,500
Salesmen's salaries	2,500
Showroom rent	500
Sales	1,16,000
