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14MBAFM305

Third Semester MBA Degree Examination, Dec.2016/Jan.2017

Cost Management

Time: 3 hrs. Max. Marks:100

SECTION - A

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

1 What are direct and indirect costs? **(03 Marks)**

2 What do you understand by under absorption of overhead? **(03 Marks)**

3 What is "angle of incidence"? **(03 Marks)**

4 Define master budget. **(03 Marks)**

5 What is cost driver? **(03 Marks)**

6 Define management audit. **(03 Marks)**

7 What do you understand by segment reporting? **(03 Marks)**

SECTION - B

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

1 Briefly discuss the various cost management tools. **(07 Marks)**

2 Enumerate the reasons of under/over absorption of overhead. **(07 Marks)**

3 Briefly discuss the users of segment reporting. **(07 Marks)**

4 Discuss the reasons for use of balanced scorecard. **(07 Marks)**

5 A factory produces 100 units of a commodity. The cost of production is:
Direct material = Rs.10,000 Direct Wages = Rs.5000
Direct expenses = Rs.1000 Factory overheads = Rs.6500
Administrative overheads = Rs.3480
If a profit of 25% on sales is to be realized, what would be the selling price of each unit of the commodity? Prepare and show it cost sheet. **(07 Marks)**

6 A manufacturing company has two production departments X and Y and 3 service departments time keeping, stores and maintenance. The departmental summary showed the following expenses for October: **(07 Marks)**

Particulars	Rs.	Rs.
Production department		
X	16000	
Y	10000	26000
Service departments		
Time keeping	4000	
Stores	5000	
Maintenance	3000	12000
		38000

The other information are:

Particulars	Production Departments		Service Departments		
	X	Y	Time keeping	Stores	Maintenance
Number of employees	40	30	20	16	10
Number of stores requisitions	24	20	-	-	6
Machine hours	2400	1600			

You are required to make departmental allocation of expenses by using step ladder method.

7 Cello company produces Deluxe and regular pens. Data related to the two products is presented below.

Particulars	Deluxe pen	Regular pen
Annual production in units	30000	70000
Direct material costs	Rs.1,00,000	Rs.2,00,000
Direct manufacturing labour costs	Rs.30,000	Rs.60,000
Direct manufacturing labour hours	2500	5000
Machine hours	15000	30000
Number of production units	50	50
Inspection hours	500	250

Both the products pass through department 1 and department 2. The department combined manufacturing overhead costs are:

Machine costs = Rs.4,00,000

Setup costs = Rs.1,50,000

Inspection costs = Rs.1,20,000

i) Compute manufacturing overhead costs per unit for each product.

ii) Compute the manufacturing cost per unit for each product. **(07 Marks)**

SECTION - C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

1 A radio manufacturing company finds that while it costs Rs.6.25 to make each component X 2730, the same is available in the market at Rs.4.85 each, with an assurance of continued supply The breakdown of cost is

Materials	Rs. 2.75 each
Labour	Rs. 1.75 each
Other variables	Re. 0.50 each
Depreciation & other fixed cost	Rs. 1.25 each
	Rs. 6.25 each

Should you make or buy? **(10 Marks)**

2 Discuss the benefits and weaknesses of activity based costing (ABC). **(10 Marks)**

3 What is balanced scorecard? And discuss the perspectives of balanced score card. **(10 Marks)**

4 Present the following information to show to the management:

a) The marginal product cost and the contribution per unit.

b) The total contribution and profits resulting from each of the following sales mixtures:

Particulars	Product	Per unit
Direct materials	A	10
	B	9
Direct wages	A	3
	B	2

Fixed expenses = Rs.800. Variable expenses are allocated to products as 100% of direct wages

Sales price = A Rs.20 and B Rs.15. Sales mixtures:

i) 1000 units of product A and 2000 units B.

ii) 1500 units of product A and 1500 units of B.

iii) 2000 units of product A and 1000 units of B. **(10 Marks)**

5 From the following information, compute material variances:

Material	Standard			Actual		
	Quantity (kg)	Unit price (Rs.)	Total (Rs.)	Quantity (kg)	Unit price (Rs.)	Total (Rs.)
A	500	6.00	3000	400	6.00	2400
B	400	3.75	1500	500	3.60	1800
C	300	3.00	900	400	2.80	1120
	1200			1300		
(–) 10% normal loss	120			220		
	1080		5400	1080		5320

(10 Marks)

6 The following particulars relate to a manufacturing company which have three production departments P_1, P_2, P_3 and two service departments S_1 and S_2.

Particulars	P_1	P_2	P_3	S_1	S_2
Total departmental overheads as per primary distribution (Rs.)	6300	7400	2800	4500	2000

The company decided to charge the service departments costs on the basis of following percentages:

Particulars	P_1	P_2	P_3	S_1	S_2
S_1	40%	30%	20%	-	10%
S_2	30%	30%	20%	20%	-

Find the total overheads of production departments charging service departments cost to production departments by simultaneous equation method. **(10 Marks)**

7 From the following details, prepare production budget for the year 2015 assuming sales as limiting factor.

Product	Opening stock	Budgeted sales
A	50000	200000
B	60000	250000
C	100000	500000
D	10000	100000
E	20000	50000

Stock of B and C is to be maintained at 10% above the existing level to sustain the budgeted sales. Stock level of A may be reduced by 20%. Stock of E is proposed to be raised by 30000 units for export market not considered in sales budget given above. **(10 Marks)**

SECTION - D

CASE STUDY – [Compulsory]

ABC Electronics Co. Ltd has prepared its budget at capacity level of 6000 units of their only product as under. Compute the unit cost of the production levels of 3000 units and 9000 units.

Particulars	Amount (Rs.)
Raw material	30000 (100% varying)
Direct wages	18000 (100% varying)
Direct expenses	12000 (100% varying)
Administration overheads	6000 (70% varying)
Advertisement and distribution	3000 (40% varying)
Repairs and maintenance	5000 (75% varying)
Insurance	3000 (25% varying)
Depreciation	6000 (75% varying)
Power	1200 (75% varying)

(20 Marks)

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