CBCS SCHEME

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22MBAFM303

Third Semester MBA Degree Examination, Dec.2023/Jan.2024
Strategic Cost Management

Time: 3 hrs. Max. Marks: 100

Note: 1. Answer any FOUR full questions, choosing ONE full question from each module.
2. M : Marks , L: Bloom's level , C: Course outcomes.
3. Q.No. 8 is compulsory.

			M	L	C
Q.1	**a.**	What are the elements of cost?	**3**	**L1**	**CO1**
	b.	Demonstrate the implications of cost management in IT sector.	**7**	**L3**	**CO3**
	c.	Vijay industries manufactures a product X. On 1st January 2007, there were 5000 units of finished product in stock. Other stocks on 1st January 2007 were as follows: Work-in-progress Rs.57,400 Raw material Rs.1,16, 200 The information available from cost records for the year ended 31st December 2007 was as follows: Rs. Direct Materials 9,06,900 Direct Labour 3,26,400 Freight on raw material purchased 55,700 Indirect labour 1,21,600 Other factory overhead 3,17,300 Stock of raw material on 31/12/2007 96,400 Work in progress on 31/12/2007 78,207 Sales (1,50,000 units) 30,00,000 Indirect materials 2,13,900 There are 15,000 units of finished stock in hand on 31st December 2007. You are require to prepare: A statement of cost and profit assuming that opening stock of finished goods to be valued at the same cost per unit as finished stock at the end of period.	**10**	**L4**	**CO1**
Q.2	**a.**	Match the differences between fixed budget and flexible budget.	**3**	**L2**	**CO2**
	b.	Explain the uses and limitations of standard costing.	**7**	**L2**	**CO2**

	c.	The following data were obtained from the books of S.N. Engineering company for the half year ended 30th September 2022. Prepare a departmental distributions:	10	L4	CO2

	Production Department			Service Department	
	A	B	C	X	Y
Direct wages	Rs.7000	Rs.6000	Rs.5000	Rs.1000	Rs.1000
Direct materials	Rs.3000	Rs.2500	Rs.2000	Rs.1500	Rs.1000
Employees (Nos)	400	300	300	100	100
Electricity (kwh)	8000	6000	600	2000	3000
Light points (Nos)	10	15	11	5	5
Asset values	Rs.50,000	Rs.30,000	Rs.20,000	Rs.10,000	Rs.10,000
Area occupied (sq yards)	800	600	600	200	200

The overheads for 6 months were as under

	Rs.		Rs.
Sales overhead	400	Depreciation	6000
Motive power	1500	Repairs and maintenance	1200
Electric lighting	200	General over heads	10,000
Labour welfare	3000	Rent and taxes	600

Apportion the expenses of department X in the ratio of 4:3:3 and that of department Y in proportion to direct wages, to departments A, B, C respectively.

Q.3	a.	What is meant by activity based costing?	3	L1	CO2
	b.	Explain the principles of transfer pricing.	7	L2	CO3
	c.	The product of a manufacturing concern passes through two processes A and B, and then to finished stock. It is ascertained that in each process normally 5% of the total weight is cost and 10% is scrap which from process A and B realizes Rs.80 per tonne and Rs.200 per tonne respectively. The following are the figures relating to both the processes:	10	L4	CO2

	Process A	Process B
Materials in tones	1,000	70
Cost of material in rupees per tonne	125	200
Wages in rupees	28,000	10,000
Manufacturing expenses in rupees	8,000	5,250
Output in tones	830	780

Prepare process cost accounts showing cost per tonne of each process. Also prepare abnormal loss/gain account.

Q.4	**a.**	What is CVP analysis?	**3**	**L1**	**CO2**
	b.	Explain cost audit. What are the objectives and advantages of cost audit?	**7**	**L2**	**CO3**
	c.	Finolex Co, uses a standard cost system and manufactures product Z. Standard cost per 1000kg of output is as under: Material: A → 800 @ 2.50; B → 200 @ 4.00; C → 200 @ 1.00 In March 2007, the company produced 2,00,000kg of output. Actual consumption was: Material: A → 1,57,000kg @ Rs.2.40 B → 38,000kg @ Rs.4.20 C → 36,000kg @ Rs.1.10. Calculate material variances.	**10**	**L4**	**CO2**
Q.5	**a.**	Distinguish between allocation and apportionment of overheads.	**3**	**L1**	**CO2**
	b.	Define cost control and cost reduction. Distinguish between the two.	**7**	**L2**	**CO3**
	c.	G.S Ltd manufactures a single product for which market demand exists for additional quantity. Present sales of Rs.60,000 per month utilizes only 60% capacity of the plant. Marketing manager assures that with the reduction of 10% in the price he would be in a position to increase the sale by about 25% to 30%. The following data are available: I. Selling price → Rs.10 per unit II. Variable cost → Rs.3 per unit III. Semi-variable cost → Rs.6,000 fixed + 50 paise per unit IV. Fixed cost → Rs.20,000 at present level estimated to be Rs.24,000 at 80% output You are required to prepare the following statements: i) The operating profit at 60%, 70% and 80% level at current selling price ii) The operating profit at proposed selling price at the above levels.	**10**	**L4**	**CO3**
Q.6	**a.**	Define margin of safety.	**3**	**L1**	**CO2**
	b.	Relate marginal costing. How it is different from absorption costing?	**7**	**L2**	**CO2**
	c.	You are given the following data: 2009: Sales (Rs.) 1,20,000; Profit (Rs.) 9,000 2010: Sales (Rs.) 1,40,000; Profit (Rs.) 13,000 Assuming that the cost structure and selecting price remain unchanged in two years, find out: i) P/V ratio ii) Break even point iii) Profit when sales are Rs.1,00,000 iv) Sales required to earn profit of Rs.20,000 v) Margin of safety in 2010.	**10**	**L4**	**CO3**

Q.7	a.	Define variance analysis.	3	L1	CO2
	b.	Explain the requisites of good report.	7	L2	CO3
	c.	Explain features and purpose of balance score card.	10	L3	CO3
Q.8		**CASE STUDY (Compulsory)** Auto parts Ltd. has an annual production of 90,000 units for a motor component. The components cost structure is as below: Materials → 270 per unit Labour (25% fixed) → 180 per unit Expenses : Variable → 90 per unit Fixed → 135 per unit Total → 675 per unit i) The purchase manager has an offer from a supplier who is willing to supply the component at Rs.5.40. Should the component be purchased and production stopped? ii) Assume the resources now used for this components manufacture are to be used to produce another new product for which selling price is 485. In the latter case the material price will be Rs,200 per unit 90,000 units of this product can be produced on the same cost basis as above for labour and expenses. Discuss whether it would be advisable to divert the resources to manufacture the new products, on the footing that the component presently being produced would, instead of being produced, be purchased from the market.	20	L4	CO3

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