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18MBAFM305

Third Semester MBA Degree Examination, Dec.2019/Jan.2020

Cost Management

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions from Q.No.1 to Q.No.7.
2. Question No. 8 is compulsory.

- 1 a. What is meant by cost? (03 Marks)
 b. What are the classifications of cost? Briefly explain. (07 Marks)
 c. The following particulars relate to a manufacturing company which has three Production Departments P₁, P₂ and P₃ and two Service Departments S₁ and S₂.

Departments					
Total departmental O.H as per	P ₁	P ₂	P ₃	S ₁	S ₂
primary distribution	Rs.6,300	7,400	2,800	4,500	2,000

The company decides to charge the Service Department cost on the basis of the following percentages.

Service Departments	Production departments			Service departments	
	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, costs to Production Departments (i) on repeated distribution methods (ii) simultaneous equation method. (10 Marks)

- 2 a. What is flexible budgeting? (03 Marks)
 b. Distinguish between cost reduction and cost control. (07 Marks)
 c. Cost volume and profit relationship of a company is described by an equation $y = 3,00,000 + 0.7x$ in which x represents the sales revenue and y represents the total cost. Find out the following:
 (i) C/S ration
 (ii) BEP
 (iii) Sales volume to earn a profit of Rs.1,20,000
 (iv) Sales volume when there a loss of Rs.40,000 (10 Marks)

- 3 a. What is variance analysis? (03 Marks)
 b. Write a detailed note on Balanced Score Card. (07 Marks)
 c. From the following particulars, calculate all material variances:

Material	Standard		Actual	
	Qty (kg)	Price (Rs.)	Qty (kg)	Price (Rs.)
A	10	8	10	7
B	8	6	9	7
C	4	12	5	11
	22		24	

(10 Marks)

- 4 a. What is cost driver? (03 Marks)
 b. What is segment reporting? Explain the need of such reporting. (07 Marks)
 c. Discuss the benefits and weakness of Activity based costing. (10 Marks)
- 5 a. What is BEP? (03 Marks)
 b. What is target costing? What are its merits? (07 Marks)
 c. Prepare statements showing the profit and loss by Marginal and Absorption Costing methods based on the following data:

Selling price	Rs.5.00 per unit
Variable cost	Rs.3.00 per unit
Fixed cost	Rs.1.00 per unit
Normal production	15000 units
Total Fixed Cost	Rs.15000

Following statement shows the position of opening and closing stocks:

Particulars	Year 2018 (units)	Year 2019 (units)
Opening stock	-	4,000
Production	17,000	14,000
Sale	13,000	17,000
Closing stock	4,000	1,000

(10 Marks)

- 6 a. What are the classifications of Budget? (03 Marks)
 b. The expenses budgeted for production of 10,000 units in a factory are furnished below:

Particulars	Rs/unit
Material	70
Labour	25
Variable OH	20
Fixed O.H (Rs.1,00,000)	10
Variable expenses (direct)	5
Selling expenses 20% fixed	13
Distribution expenses 30% fixed	7
Administration expenses (Rs.50,000)	5
Total	155

Compute the cost/unit if the production is 8000 units.

(07 Marks)

- c. A company manufacturing two products furnishes the following data for a year:

Products	Annual Output Units	Total Machine Hours	Total number of Purchase Orders	Total number of Set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	24

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)

- 7 a. What are internal reports? (03 Marks)
b. Calculate PV Ratio, Fixed Cost from the following:

Year	Sales	Profit
2018	20,00,000	2,00,000
2019	30,00,000	4,00,000

Find profit when the sales is Rs.18,00,000.

(07 Marks)

- c. Categorize the following expenses into Fixed, Variable and Semi-variable Costs.

Production (units)	55,000	65,000	75,000
Wages (Rs.)	5,50,000	6,50,000	7,50,000
Factory Expenses (Rs.)	3,10,000	3,30,000	3,50,000
Selling Expenses (Rs.)	3,20,000	3,60,000	4,00,000
Office expenses (Rs.)	1,60,000	1,60,000	1,60,000
General expenses (Rs.)	1,10,000	1,30,000	1,50,000

(10 Marks)

8 Case Study: (Compulsory)

Based on the following information prepare a cost sheet incorporating the following aspects of cost sheet.

- (i) Total manufacturing cost (ii) Cost of production
(iii) Cost of sales (iv) Profit

	31/3/2018 (Rs.)	31/3/2019 (Rs.)
Stock of Raw Materials	40,000	50,000
Stocking of W.I.P	10,000	14,000
Stock of finished goods	1,00,000	1,50,000

Other expenses are:

- Indirect labour Rs.50,000
- Administration expenses Rs.1,00,000.
- Lubricants Rs.10,000
- Power Rs.30,000
- Insurance on plant Rs.3000.
- Direct labour Rs.3,00,000
- Purchase of raw materials Rs.4,00,000
- Depreciation on machinery Rs.50,000
- Sales commission Rs.60,000
- Factory rent Rs.60,000
- Salaries of salesman Rs.1,00,000.
- Property tax on factory Rs.11,000.
- Carriage outward Rs.20,000.
- Sales Rs.12,00,000.

(20 Marks)
