

CBCS SCHEME

Srinivas Institute of Technology
Library Mangalore

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18MBAFM305

Third Semester MBA Degree Examination, Jan./Feb. 2021 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 Cost Management? (03 Marks)
b. Brief on the tools of cost management. (07 Marks)
c. The following is the cost data related to X Ltd. for the year ending 31 March 2015 :

(In rupees)

Raw material consumed	40000
Direct wages	24000
Machine hours	1000 hours
Machine hour rate	4 per hour
Office overhead	20% of works cost
Selling overhead	0.80 per unit
Unit produced	20000
Unit sold at Rs 6 each	18000

Prepare a cost sheet showing detailed cost of each head and profit. (10 Marks)

- 2 a. What is Cost Apportionment? (03 Marks)
b. Highlight the reasons of under absorption of overhead. (07 Marks)
c. SK Ltd has two production departments P₁ and P₂ and two service departments S₁ and S₂. Expenses are as follows : P₁ – Rs 47,755 , P₂ – 16, 245 , S₁ – 20,000 , S₂ – 8000. The service department expenses to be apportioned as follows :

	P ₁	P ₂	S ₁	S ₂
S ₁	50%	40%	-	10%
S ₂	30%	50%	20%	-

Apportion service department cost using simultaneous equation method. (10 Marks)

- 3 a. What is P/V Ratio? (03 Marks)
b. Write a note on Differential Costing Method. (07 Marks)
c. Assuming the cost structure and selling price remain same in year I & II. Find out
i) P/V ratio ii) BEP sales iii) Profit when sales are Rs 100000
iv) Sales to earn profit of Rs 20000 v) MOS in year II.

Year	Sales	Profit
I	120000	9000
II	140000	13000

(10 Marks)

- 4 a. What are Cost drivers? (03 Marks)
b. Explain the objectives of budgetary control. (07 Marks)

- c. Following are the detailed composition and weekly wage rates of labor for 30 weeks :

Category of workers	Standard		Actual	
	No. of labors	Weekly wage rate per labor hour	No. of labors	Weekly wage rate per labor hour
Skilled	75	60	70	70
Semi skilled	45	40	30	50
Unskilled	60	30	80	20

Calculate various labor variances.

(10 Marks)

- 5 a. Define Master Budget. (03 Marks)
 b. Ram Co Ltd., has 2 production departments and 2 service departments. Namely P₁, P₂ and S₁, S₂ respectively. Prepare Primary distribution summary.

Particulars	P ₁	P ₂	S ₁	S ₂
Area occupied (sq. feet)	1000	800	200	400
Asset value (000')	200	100	60	20
No. of workers	80	40	40	20
Light points	20	12	4	4
Hp of machines	20	10	8	2
Direct wages (000)	20	16	10	6
Direct material (000)	30	20	6	4

Total expenses for the period are (Rs)

(07 Marks)

Rent	18000	Canteen expenses	5400
Power	12000	Electricity	3600
Insurance	9500	Indirect materials	6000
Depreciation	38000	Indirect wages	10400
Repairs	19000	Sundries	5200

- c. Explain the benefits and limitations of ABC system.

(10 Marks)

- 6 a. What is Management Audit? (03 Marks)
 b. A Ltd., Manufactures and markets a single product. The data is given below :

Particulars	Per unit (Rs)
Material	16
Conversion cost (variable)	12
Dealer's margin (10% of sales)	4
Selling price	40
Fixed cost	Rs 500000
Sales	90000 units
Capacity	60 %

Due to the competition following suggestions have been made.

i) Reduce sale price by 5%.

ii) Increase dealer's margin by 25%.

Which suggestion would you recommend?

(07 Marks)

- c. What is Overhead variance? Explain the types of various overheads.

(10 Marks)

- 7 a. What is Target costing? (03 Marks)
 b. From the following calculate i) Material cost variance ii) Material usage variance
 iii) Material price variance. (07 Marks)

Material	Std. quantity	Std. Rate	Actual quantity	Actual rate
X	10	4	12	3.75
Y	15	5	18	4.5
	25		30	

- c. Explain the requisites of a good report.

(10 Marks)

8 **CASE STUDY (Compulsory) :**

The following data are available in a manufacturing Co. for a year period.

<u>Fixed Expenses</u>	(In lakhs)
Salary	9.5
Rent	6.6
Depreciation	7.4
Adm. expenses	6.5
<u>Semi variable expenses (50% capacity)</u>	
Maintenance	3.5
Indirect material	7.9
Sales dept. salary	3.8
Sundry Adm salary	2.8
<u>Variable expenses (50% capacity)</u>	
Material	21.7
Labor	20.4
Expenses	7.9

Fixed expenses are constant for all levels. Semi variable expenses constant between 45 and 65% capacity. Increase by 10% between 65% and 85% and increase by 20% between 80% and 100% capacity. Prepare flexible budget if sales are
50% capacity – 100 lakh ; 60% - 120 lakh
75% 150 lakh ; 90% - 180 lakh and 100% - 20 lakh for all levels.

(20 Marks)
