

CBCS SCHEME

22MBAFM303



Third Semester MBA Degree Examination, June/July 2024 Strategic 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.
3. M : Marks , L: Bloom's level , C: Course outcomes.*

		M	L	C																
Q.1	a.	“Cost Accounting the process of accounting for cost which begins with the incurrance of cost and ends with the control of cost” – Justify.		03	L1	CO1														
	b.	Elucidate the elements of cost.		07	L2	CO1														
	c.	The following data related to the manufacture of a standard product during the month, 2024 Jan. Raw material consumed Rs.80000 ; Direct wages Rs. 48000 ; Machine Hours worked 8000 ; Machine Hour Rate Rs.4, Office OH 10% of works cost; Selling OH Rs.1.50 per unit ; Units produced 4000 ; Units sold 3600@Rs. 50 each. You are required to prepare a cost sheet.		10	L3	CO1														
Q.2	a.	Define overheads in detail.		03	L1	CO2														
	b.	Describe the difference between Cost Allocating and Cost Apportionment.		07	L2	CO2														
	c.	A company manufactures 2 product A and B using common furniture. The following cost data for a month are presented to you: <table border="1" style="margin-left: 20px; border-collapse: collapse; width: 80%;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">Product A</th> <th style="text-align: center;">Product B</th> </tr> </thead> <tbody> <tr> <td>Units produced</td> <td style="text-align: center;">2500</td> <td style="text-align: center;">30000</td> </tr> <tr> <td>Total machine hours</td> <td style="text-align: center;">10000</td> <td style="text-align: center;">60000</td> </tr> <tr> <td>Total no. of setups</td> <td style="text-align: center;">10</td> <td style="text-align: center;">40</td> </tr> <tr> <td>Total number of purchase order</td> <td style="text-align: center;">80</td> <td style="text-align: center;">200</td> </tr> </tbody> </table> The annual overhead are as follows: Volume related activity Rs. 300000 Setup related expenses Rs. 400000 Expenses related to orders Rs. 320000 Calculate the OH per unit absorbed using activity based costing.		Particulars	Product A	Product B	Units produced	2500	30000	Total machine hours	10000	60000	Total no. of setups	10	40	Total number of purchase order	80	200	10	L4
Particulars	Product A	Product B																		
Units produced	2500	30000																		
Total machine hours	10000	60000																		
Total no. of setups	10	40																		
Total number of purchase order	80	200																		
Q.3	a.	What is Marginal Costing.		03	L1	CO3														
	b.	Explain advantages and disadvantages of Marginal Costing.		07	L2	CO3														
	c.	From the following particular calculate: -> BEP in terms of sales value and in units -> No. of units that must be sold to earn a profit of Rs.90000 Fixed Factory OH 60000 Fixed Selling OH 12000 Variable Manufacturing Cost per unit 12 Variable Selling Cost per unit 3 Selling price per unit 24		10	L3	CO3														
Q.4	a.	A budget is a financial plan summarizing the financial experience of the past stating the current plans and projecting it over a specified period of time in future – Substantiate.		03	L1	CO4														
	b.	Illustrate Types of Budgets.		07	L2	CO4														

	c.	Mr. Sanjay has recently set up a restaurant and is facing liquidity problem. He is seeking your assistance to prepare cash budget for the quarter Jan to March. The following information is provided: i) Sales are expected to be Rs.60000 in Jan, Rs.55000 in Feb and Rs. 60000 in March. All sales will be in cash. ii) His estimated purchases are Rs.20000 in Jan, Rs.22000 in Feb and Rs. 25000 in March. Payment for purchases will be made after a lag of one month outstanding on account of purchases in December Rs.22000. iii) The rent for 3 months is Rs.5000 and his personal withdrawal per month is Rs.5000. iv) Salaries and other expenditure payable in cash are Rs.15000, Rs.18000, Rs.20000 in the month of Jan, Feb and march. v) The plans to buy furniture Rs. 25000 in Feb. vi) The Depreciation for furniture cost Rs. 7000. vii) The cash balance at present is Rs. 5000. His target cash balance is Rs. 8000. What will be Surplus / Deficit of cash in relation to his target cash balance.	10	L4	CO4
Q.5	a.	Define Cost Audit.	03	L1	CO5
	b.	Relate the objectives of Cost Audit.	07	L2	CO4
	c.	Apply the advantages of Cost Audit. What are the differences between cost audit and financial audit.	10	L3	CO4
Q.6	a.	What is Business Report?	03	L1	CO4
	b.	Classify the purpose of Reporting.	07	L2	CO4
	c.	Identify the classification of Report.	10	L3	CO4
Q.7	a.	Define Revenue and Expense.	03	L1	CO5
	b.	Demonstrate the methods of transfer pricing.	07	L2	CO5
	c.	Fixed cost Rs.100000 N.C. Rs. 7 per unit. Current market price Rs.8 per unit output 50000 units should company sell or not?	10	L3	CO4

Q.8

Case Study (Compulsory) :

20

L4

CO5

BK has 3 production departments M, N, O and 2 service departments P, Q. The following particulars are available for the month of December 2023:

Leas rental	Rs. 35000	Power and Fuel	Rs. 420000
Wages of factory supervisor	Rs.6400	Electricity	Rs. 5600
Depreciation on: Machinery	Rs. 16100	Payroll expenses	Rs. 21000
Building	Rs. 18000	Canteen expenses	Rs. 28000
		ESI and Provident fund contribution	Rs. 58000

Following are the further details available:

	M	N	O	P	Q
Floor Space	1200	1000	1600	400	800
Light point (no)	42	52	32	18	16
Cost of Machine Rs.	12,00,000	10,00,000	14,00,000	4,00,000	6,00,000
No. of employees	48	52	45	15	25
Direct Wages Rs.	1,72,800	1,66,400	1,53,000	36,000	53,000
H.P. of Machine	150	180	120	-	-
Working hours (hr)	1240	1600	1200	1440	1440

The expenses of service departments are to be allocated in the following manner.

	M	N	O	P	Q
P	30%	35%	25%	-	10%
Q	40%	25%	20%	15%	-

You are required to calculate the O.H absorption rate per hour in respectively of 3 production departments.
Use Simultaneous equations method.

* * * * *