CBCS SCHEME

USN							9					22MBAFM303
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Third Semester MBA Degree Examination, Dec.2024/Jan.2025

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.

		, x					M	L	C
Q.1	a.	What is strategic cost ma	anagement?				03	L1	CO1
K.17	b.	Briefly explain the differ		07	L2	CO1			
	c.	The following figures ar			of Babu Indu	stries Ltd.,	10	L4	CO ₂
		for the year ending 31 st 1	,						
		(Rs.					
		Direct materials	7	56,000					
2		Direct wages	⁷ ,	60,000	¥ .				
		Indirect wages		8,000					
		Other direct expenses		12,000					
		Factory rent and rates		4,000					
		Office rent and rates		400					
	12	Indirect materials		400					
		Depreciation: Plant &	Machinery	1200					
		Office for	urniture	100					
		General Expenses: Fact	tory	4500			-		
		Off	ice	800					
		Sell	ing	800	X				
		Managing director's re	muneration	9600					
		Travelling expenses		900	2.5				
		Office salaries		3600					
		Carriage outwards		800					
		Advertisement	()	1600	, ,				
		Sales	1	2,00,000			-		
		Income tax	- 200	2000					
		Dividend		1000			(K)		
		Prepare cost sheet show		A C				*	
) Factory cost	(m) Co	ost of producti	on			
	0	(iv) Cost of sales (v) Profit						
0.0		XX/1 / · · · · · · · · · · · · · · · · · ·	1 1 4		1 10		0.2	T 4	000
Q.2	a.	What is meant by under	03	L1	CO				
	b.	The budgeted overhead	is and cost driv	er volume	es of Moon i	id. are as	07	L4	CO ₄
		follows:			В				
		Cost pool	Budgeted	Cos	t Driver	Budgeted			
			Overhead (Rs.)			Volume			
		Material procurement	5,80,000	No. of o	rders	1100			
		Material Handling	2,50,000	No. of M	lovements	680			
		Set-up	4,15,000	No. of se	et-ups	520			
		Maintenance /	9,70,000	Mainten	ance hours	8400			
		Quality control	1,76,000	No. of in	spections	900			
		Machinery	7,20,000	1	nachine hours	24000			
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		The company has produced a batch of 2600 components of 'MAT-365', its n Rs.1,30,000 and labour cost was Rs.2,45,000. The usage activities of the s			
		follows:			The State
		Material orders = 26 Material movements = 18			
		Set-ups = 25 Maintenance hours = 690			
		Inspection = 28 Machine hours = 1800			
		Required:			
		(i) Calculate cost driver rates that are used for tracing appropriate amount	of o	verhe	ads to
		the said batch.			
		(ii) Ascertain the cost of batch of components using ABC.			
	c.	In a factory, there are three production departments A, B and C and two	10	L4	CO4
		service departments X and Y. The departmental expenses for the month of			
		January 2024 were given below:			
		Production Depts Service Depts			
		A – Rs.1,65,000 X – Rs.12,000			
		B – Rs.3,60,000 Y – Rs.10,000			
		C – Rs.2,50,000			
		The service department expenses are allocated on a percentage basis as			
		follows:			
		Depts A B C X Y			
		X 30% 20% 30% - 20%			
		Prepare a statement showing the distribution of service department			
		expenses to production departments under repeated distribution method.			
Q.3	0	From the following data calculate breekeven point:	03	L4	CO
2.5	a.	From the following data calculate breakeven point:	03	L4	CO ²
		Selling price = Rs.200 per unit			
		Variable cost = Rs.125 per unit			
	1	Fixed cost = Rs.900000	0.5	T 4	004
	b.	The sales turnover and profit during years 2022 and 2023 are given below:	07	L4	CO4
		Year Sales (Rs.) Profit (Rs.)			
		2022 3,20,000 40,000			
		2023 3,60,000 50,000			
		Required:			
		(i) P/V ratio			
		(ii) Sales required to earn a profit of Rs.1,20,000.	-		
	_	AT THE COLD OF THE		_	
	c.	Akash Ltd. is producing a spare part No. JT 2244, for its product. The cost	10	L4	CO ₄
-	c.	of manufacturing 5000 units of JT 2244 is as under:	10	L4	CO4
-	c.	of manufacturing 5000 units of JT 2244 is as under: Direct Materials – Rs.11,750 Direct Wages – Rs.94,000	10	L4	CO4
	c.	of manufacturing 5000 units of JT 2244 is as under: Direct Materials – Rs.11,750 Direct Wages – Rs.94,000 Variable overheads – Rs.47,000 Fixed overheads – Rs.58,750	10	L4	CO4
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Q.5	a.	What is cost audit?	03	L1	CO3
	b.	What is management reporting? Explain the requisites of a good report.	07	L2	CO3
	c.	Write a detailed note on the following:	10	L3	CO3
		(i) Cost reduction (ii) Cost control			
		(iii) Target costing (iv) Balanced score card			
Q.6	a.	What is Revenue Centre?	03	L1	CO3
	b.	Write a note on cost management in Agriculture Sector.	07	L3	CO3
	c.	What is transfer pricing? Explain the methods of transfer pricing.	10	L6	CO ₄
Q.7	a.	From the following information, calculate profit by using marginal costing	03	L4	CO
		technique:			
		Fixed cost = Rs.2,00,000 Variable cost = Rs.15 per unit			
	1	Selling price = Rs.18 per unit Output level = 1,00,000 units	0.7	1.2	CO
	b.	The following information is provided with respect to A2Z Ltd for the six	07	L3	CO ²
		months of 2023 (and the sales of January 2024), in respect of product 'XY'.			
		(i) The units to be sold in different months are:			
		July 2023 = 1100, August 2023 = 1100, September 2023 = 1700,			
		October 2023 = 1900, November 2023 = 2500, December 2023 =			
		2300 and January 2024 = 2000			
		(ii) There will be no work in progress at the end of any month.			
		(iii) Finished units equal to half the sales of the next month will be in stock			
		at the end of every month (including June 2023).			
		You are required to prepare production budget for the six months of 2023.	10	T 4	00
	c.	From the following data calculate machine hour rate:	10	L4	CO
		Cost of machine = Rs.30,500, Scrap value = Rs.2500, Estimated life of			
		machine = 12 years, Working days per year 200 days of 8 hours, 100 days			
		of 6 hours, Repairs and maintenance 7.5% of the cost of machine, Stores	s:		
		issued = Rs.1000, Power consumption Rs.2 per operative hour, Insurance			
		premium 1% of cost of machine, Supervision (per year) = Rs.7500,			
		Idle time estimate 10%.	*		
0.0		Cons Children	20	1.2	00
Q.8		Case Study:	20	L3	CO
		Atom Co. can produce 4000 units of a product at 100% capacity. The			
		following information is available from its records:			
		November December			
		Units produced 2800 3600			
		Rs. Rs.	7		
		Power 1800 2000			
		Repairs and maintenance 500 560			
		Indirect labour 700 900		2	
		Consumable stores 1400 1800			
		Inspection 200 240			
		Depreciation 1400 1400			
		Salaries 1000 1000			
		Direct material cost per unit is Re.1 and direct wages per hour is Rs.4. Rate			
		of production per hour is 10 units. You are required to:			
		(i) Compute the cost of production at 100%, 80% and 60% capacity			
		levels showing variable, fixed and semi-variable items under the			
		flexible budget.			
		(ii) Compute overhead absorption rate at 80% capacity.			
		(ii) Compare o terrieda accorption rate at 0070 capacity.			1