



Third Semester MBA Degree Examination, Dec.2024/Jan.2025

Strategic Cost Management

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.	What is strategic cost management?	03	L1	CO1																																										
	b.	Briefly explain the different methods of costing.	07	L2	CO1																																										
	c.	The following figures are extracted from the book of Babu Industries Ltd., for the year ending 31 st March 2023.	10	L4	CO2																																										
		<table><tr><td></td><td>Rs.</td></tr><tr><td>Direct materials</td><td>56,000</td></tr><tr><td>Direct wages</td><td>60,000</td></tr><tr><td>Indirect wages</td><td>8,000</td></tr><tr><td>Other direct expenses</td><td>12,000</td></tr><tr><td>Factory rent and rates</td><td>4,000</td></tr><tr><td>Office rent and rates</td><td>400</td></tr><tr><td>Indirect materials</td><td>400</td></tr><tr><td>Depreciation: Plant & Machinery</td><td>1200</td></tr><tr><td>Office furniture</td><td>100</td></tr><tr><td>General Expenses: Factory</td><td>4500</td></tr><tr><td>Office</td><td>800</td></tr><tr><td>Selling</td><td>800</td></tr><tr><td>Managing director's remuneration</td><td>9600</td></tr><tr><td>Travelling expenses</td><td>900</td></tr><tr><td>Office salaries</td><td>3600</td></tr><tr><td>Carriage outwards</td><td>800</td></tr><tr><td>Advertisement</td><td>1600</td></tr><tr><td>Sales</td><td>2,00,000</td></tr><tr><td>Income tax</td><td>2000</td></tr><tr><td>Dividend</td><td>1000</td></tr></table> <p>Prepare cost sheet showing:</p> <p>(i) Prime cost (ii) Factory cost (iii) Cost of production</p> <p>(iv) Cost of sales (v) Profit</p>		Rs.	Direct materials	56,000	Direct wages	60,000	Indirect wages	8,000	Other direct expenses	12,000	Factory rent and rates	4,000	Office rent and rates	400	Indirect materials	400	Depreciation: Plant & Machinery	1200	Office furniture	100	General Expenses: Factory	4500	Office	800	Selling	800	Managing director's remuneration	9600	Travelling expenses	900	Office salaries	3600	Carriage outwards	800	Advertisement	1600	Sales	2,00,000	Income tax	2000	Dividend	1000			
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Q.2	a.	What is meant by under and over absorption of overhead?	03	L1	CO2																																										
	b.	The budgeted overheads and cost driver volumes of Moon Ltd. are as follows:	07	L4	CO4																																										
		<table><tr><td>Cost pool</td><td>Budgeted Overhead (Rs.)</td><td>Cost Driver</td><td>Budgeted Volume</td></tr><tr><td>Material procurement</td><td>5,80,000</td><td>No. of orders</td><td>1100</td></tr><tr><td>Material Handling</td><td>2,50,000</td><td>No. of Movements</td><td>680</td></tr><tr><td>Set-up</td><td>4,15,000</td><td>No. of set-ups</td><td>520</td></tr><tr><td>Maintenance</td><td>9,70,000</td><td>Maintenance hours</td><td>8400</td></tr><tr><td>Quality control</td><td>1,76,000</td><td>No. of inspections</td><td>900</td></tr><tr><td>Machinery</td><td>7,20,000</td><td>No. of machine hours</td><td>24000</td></tr></table>	Cost pool	Budgeted Overhead (Rs.)	Cost Driver	Budgeted Volume	Material procurement	5,80,000	No. of orders	1100	Material Handling	2,50,000	No. of Movements	680	Set-up	4,15,000	No. of set-ups	520	Maintenance	9,70,000	Maintenance hours	8400	Quality control	1,76,000	No. of inspections	900	Machinery	7,20,000	No. of machine hours	24000																	
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		<p>The company has produced a batch of 2600 components of 'MAT-365', its material cost was Rs.1,30,000 and labour cost was Rs.2,45,000. The usage activities of the said batch are as follows:</p> <p>Material orders = 26 </p>			

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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: (i) Cost reduction (ii) Cost control (iii) Target costing (iv) Balanced score card	10	L3	CO3																														
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	CO4																														
Q.7	a.	From the following information, calculate profit by using marginal costing technique: Fixed cost = Rs.2,00,000 Variable cost = Rs.15 per unit Selling price = Rs.18 per unit Output level = 1,00,000 units	03	L4	CO3																														
	b.	The following information is provided with respect to A2Z Ltd for the six 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.	07	L3	CO4																														
	c.	From the following data calculate machine hour rate: 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 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%.	10	L4	CO4																														
Q.8	Case Study: Atom Co. can produce 4000 units of a product at 100% capacity. The following information is available from its records: <table><tr><td></td><td>November</td><td>December</td></tr><tr><td>Units produced</td><td>2800</td><td>3600</td></tr><tr><td></td><td>Rs.</td><td>Rs.</td></tr><tr><td>Power</td><td>1800</td><td>2000</td></tr><tr><td>Repairs and maintenance</td><td>500</td><td>560</td></tr><tr><td>Indirect labour</td><td>700</td><td>900</td></tr><tr><td>Consumable stores</td><td>1400</td><td>1800</td></tr><tr><td>Inspection</td><td>200</td><td>240</td></tr><tr><td>Depreciation</td><td>1400</td><td>1400</td></tr><tr><td>Salaries</td><td>1000</td><td>1000</td></tr></table> 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.			November	December	Units produced	2800	3600		Rs.	Rs.	Power	1800	2000	Repairs and maintenance	500	560	Indirect labour	700	900	Consumable stores	1400	1800	Inspection	200	240	Depreciation	1400	1400	Salaries	1000	1000	20	L3	CO4
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